

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	172.03	17.00	14.00	203.03	17.00	14.00	203.03	203.03
Personal Services	7,272,990	1,488,080	655,241	9,416,311	1,489,512	653,326	9,415,828	18,832,139
Operating Expenses	13,059,322	1,817,503	3,000,644	17,877,469	1,960,991	2,562,242	17,582,555	35,460,024
Equipment	105,663	952,619	0	1,058,282	1,421,209	0	1,526,872	2,585,154
Capital Outlay	0	0	0	0	0	0	0	0
Grants	7,154,994	7,055,377	(588,826)	13,621,545	6,501,776	(588,576)	13,068,194	26,689,739
Benefits & Claims	265,239,721	22,865,407	(1,158,622)	286,946,506	40,913,239	(1,875,913)	304,277,047	591,223,553
Transfers	0	0	0	0	0	0	0	0
Debt Service	17,881	0	51,988	69,869	0	0	17,881	87,750
Total Costs	\$292,850,571	\$34,178,986	\$1,960,425	\$328,989,982	\$52,286,727	\$751,079	\$345,888,377	\$674,878,359
General Fund	65,202,469	6,346,904	(7,577,453)	63,971,920	10,926,657	(8,137,892)	67,991,234	131,963,154
State/Other Special	4,034,013	2,029,113	4,562,719	10,625,845	2,073,114	4,672,601	10,779,728	21,405,573
Federal Special	223,614,089	25,802,969	4,975,159	254,392,217	39,286,956	4,216,370	267,117,415	521,509,632
Total Funds	\$292,850,571	\$34,178,986	\$1,960,425	\$328,989,982	\$52,286,727	\$751,079	\$345,888,377	\$674,878,359

Program Description

The purpose of the Health Policy and Services Division (HPSD) is to improve and protect the health and safety of Montanans. The division provides a wide range of preventive, primary, acute care, and public health services to individuals and communities. Services are provided through a broad range of private and public providers, including physicians, public health departments, clinics, and hospitals. The division administers public health programs including, but not limited to clinical and environmental laboratory services, Women's, Infants and Children's Special Nutrition Program (WIC), Maternal and Child Public Health Services, Immunization Programs, STD/HIV prevention, Food and Consumer Safety, Emergency Medical Services, Family Planning, chronic disease prevention, Bioterrorism and Hospital Disaster Preparedness, acute and primary care components of the Medicaid Program and the Children's Health Insurance Program (CHIP) and services for children with special health care needs.

Public health is administered at both the state level and at the local level through contract arrangements with local public health and other health service agencies. The division contracts with over 700 non-profit providers for the delivery of health care services. Medicaid is a voluntary state/federal partnership to provide and finance services to the aged, blind, disabled, or low-income families.

The division administers CHIP as a separate health insurance program and contracts with an insurance plan to provide medical services. CHIP dental and eyeglasses benefits are provided by the department.

Program Narrative

Health Policy & Services Division Major Budget Highlights	
○	Total funds increase \$88 million over the biennium compared to the fiscal 2002 base budget, with a net increase of \$1 million general fund and funding for 31.00 new FTE <ul style="list-style-type: none"> • Medicaid caseload growth adds \$64 million total funds, including \$17 million general fund • Bioterrorism federal grant increases add \$20 million and fund 15.50 new FTE • Other federal categorical grant increases add \$7 million and fund 15.00 new FTE

<ul style="list-style-type: none"> ○ Medicaid provider rate reductions, service limitations, and eligibility changes reduce total funds \$20 million, including \$5 million general fund ○ Funding switch to enact I146 (tobacco settlement fund allocation) reduces general fund by \$8.3 million and increases state special revenue by a like amount <ul style="list-style-type: none"> • \$5.5 million offsets CHIP general fund expenditures • \$2.6 million proposed to be used as Medicaid match ○ Program reductions and eliminations reduce \$1.4 million general fund <ul style="list-style-type: none"> • Montana Initiative for the Abatement of Mortality in Infants (MIAMI), poison control, end stage renal assistance
Major LFD Issues
<ul style="list-style-type: none"> ○ Potential for provider withdrawal from Medicaid program due to service limitations and rate reductions ○ Use of \$2.6 million state special revenue tobacco settlement revenue directed to CHIP by I-146 for Medicaid match not allowed by I-146 <ul style="list-style-type: none"> • Would require an amendment to statute if executive proposal adopted ○ Potential to refinance MIAMI services at a lower general fund cost than base budget funding of \$567,128 as alternative to elimination of program ○ Statutory changes needed if the legislature approves the Executive Budget to: <ul style="list-style-type: none"> • Eliminate End Stage Renal Disease program • Eliminate requirement to contract with local MIAMI programs • Specifically allow elimination of optional Medicaid services by DPHHS subject to appropriation availability

The HPSD 2005 biennium budget request increases \$59 million total funds, including \$2 million general fund, from the 2003 biennium to the 2005 biennium budget request and includes funding for a net increase of 31.00 FTE. This increase is markedly lower than those in the previous two biennia. For instance, the 2003 biennium HPSD executive request was \$126 million total funds, including \$18 million general fund higher than the 2001 biennium. The 2005 biennium request is about 10 percent greater than base budget expenditures plus the fiscal 2003 appropriation, while the 2003 biennium request grew 20 percent above the comparable 2001 biennium funding. Figure 33 compares the HPSD 2003 biennium budget compared to the 2005 biennium request.

Present law adjustments add \$85 million, including \$17 million general fund and funding for 17.00 FTE. New proposals add \$3 million total funds, but include a reduction of \$16 million general fund, nearly offsetting present law increases in general fund. New proposals include federal grant funding for a net increase of 14.00 FTE.

New proposals, due primarily to an \$8 million fund switch in the CHIP program and changes to Medicaid eligibility, reduce the Executive Budget general fund request for fiscal 2004 to about \$1 million less than the base budget general fund expenditures, an occurrence so rare that it may have never happened since the state started its Medicaid program.

The major increases in the executive request are:

- \$64 million net increase in total funds for Medicaid caseload increases, including \$17 million general fund, which is offset by reductions of \$20 million total funds, (including \$5 million general fund) due to provider rate reductions, service limitations, and eligibility changes
- \$20 million in federal funds, including funding for 15.50 FTE, for bioterrorism
- \$7 million in federal funds, including funding for 15.00 FTE, for several categorical grant increases for such purposes as breast and cervical cancer screening program, asbestos screening, environmental health tracking, obesity prevention, immunization, diabetes, epidemiology, cardiovascular disease, and family planning

The most significant general fund reductions, other than Medicaid program changes, include:

- An \$8.2 million funding switch that reduces general fund match for the CHIP program and increases tobacco settlement state special revenue due to passage of I-146
- \$1.4 million in program eliminations including MIAMI, poison control, and assistance for a limited number of persons in end stage renal failure
- \$0.6 million in program reductions for the public health laboratory, family planning, and AIDS/HIV services

Figure 33
2003 Biennium Compared to 2005 Biennium
Health & Policy Services Division

Budget Item/Fund	2003 Biennium	2005 Biennium	Change	Percent of Total
FTE	172.00	203.03	31.03	
Personal Services	\$ 14,826,867	\$ 18,832,139	\$ 4,005,272	6.8%
Operating Costs	29,937,641	35,460,024	5,522,383	9.3%
Equipment	533,249	2,585,154	2,051,905	3.5%
Grants	14,141,316	26,689,739	12,548,423	21.2%
Benefits & Clams	556,231,704	591,323,553	35,091,849	59.2%
Debt Service	32,058	87,750	55,692	0.1%
Total Costs	<u>\$ 615,702,835</u>	<u>\$ 674,978,359</u>	<u>\$ 59,275,524</u>	100.0%
General Fund	\$ 130,348,155	\$ 131,963,154	\$ 1,614,999	2.7%
State Special	11,886,403	21,505,573	9,619,170	16.2%
Federal Funds	<u>473,468,277</u>	<u>521,509,632</u>	<u>48,041,355</u>	81.0%
Total Funds	<u>\$ 615,702,835</u>	<u>\$ 674,978,359</u>	<u>\$ 59,275,524</u>	100.0%
Percent Increase			9.6%	

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Health Policy & Services Division						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 65,202,469	22.3%	\$ 63,971,920	19.4%	\$ 67,991,234	19.7%
02053 Medicaid Nursing Home Match	717,525	0.2%	842,525	0.3%	842,525	0.2%
02059 Emt Certification	34,639	0.0%	34,639	0.0%	34,639	0.0%
02142 Medicaid Third Party Revenue	585,729	0.2%	585,729	0.2%	585,729	0.2%
02199 Dhes Food & Consumer	39,942	0.0%	44,192	0.0%	44,442	0.0%
02298 Baby Your Baby	9,526	0.0%	9,526	0.0%	9,526	0.0%
02366 Public Health Laboratory	1,416,738	0.5%	1,844,746	0.6%	1,885,986	0.5%
02367 Chem Lab Dphhs	528,421	0.2%	626,158	0.2%	576,931	0.2%
02379 02 Indirect Activity Prog 07	82,861	0.0%	84,099	0.0%	84,099	0.0%
02462 Food/Lodging License	385,159	0.1%	389,409	0.1%	389,659	0.1%
02531 Chip Program	882	0.0%	-	-	-	-
02679 School Health Educator Act	-	-	85,284	0.0%	85,101	0.0%
02789 Chip/Mcha Tobacco Settlement Fund	-	-	4,096,947	1.2%	4,258,500	1.2%
02987 Tobacco Interest (Real Fund)	232,591	0.1%	1,982,591	0.6%	1,982,591	0.6%
03004 Ems Data Injury	201,231	0.1%	238,686	0.1%	228,686	0.1%
03020 Ph Workforce Development	-	-	94,943	0.0%	94,876	0.0%
03026 Family Planning Title X	1,101,844	0.4%	1,353,807	0.4%	1,217,427	0.4%
03027 Wic (Women, Infants & Children)	14,139,979	4.8%	14,141,175	4.3%	14,141,099	4.1%
03030 Health Prevention & Services	901,517	0.3%	1,044,909	0.3%	1,046,971	0.3%
03031 Maternal & Child Health	2,590,976	0.9%	2,817,411	0.9%	2,817,338	0.8%
03074 Obesity Prevention	-	-	417,510	0.1%	417,232	0.1%
03159 Tuberculosis Grant	153,346	0.1%	152,986	0.0%	153,485	0.0%
03239 Chronic Disease Fed Cat#13-283	68,029	0.0%	107,708	0.0%	107,562	0.0%
03258 Diabetes Control	642,333	0.2%	658,169	0.2%	658,566	0.2%
03273 Primary Care Services	126,497	0.0%	110,030	0.0%	109,947	0.0%
03274 Ryan White Act, Title II	833,420	0.3%	833,420	0.3%	833,420	0.2%
03317 Ems - Highway Traffic Safety	65,344	0.0%	-	-	-	-
03321 Montana Lead Poisoning Prev	65,619	0.0%	-	-	-	-
03336 Food Inspection Program	36,096	0.0%	44,096	0.0%	44,096	0.0%
03337 Mt Central Tumor Registry	87,064	0.0%	169,581	0.1%	169,142	0.0%
03357 Healthy Child	125,751	0.0%	149,910	0.0%	150,264	0.0%
03362 Data Integration	125,660	0.0%	138,161	0.0%	138,110	0.0%
03368 Trauma System Development	24,955	0.0%	45,000	0.0%	45,000	0.0%
03370 Epi & Lab Surveillance E. Coli	233,456	0.1%	196,304	0.1%	196,238	0.1%
03371 Ficmr	82,817	0.0%	-	-	-	-
03383 Search Grant	69,300	0.0%	152,000	0.0%	152,000	0.0%
03426 Child Health Insurance	11,617,547	4.0%	11,734,065	3.6%	11,719,177	3.4%
03429 Birth Defects Surveillance	53,368	0.0%	150,000	0.0%	150,000	0.0%
03580 93.778 - Med Adm 50%	2,543,515	0.9%	3,101,575	0.9%	2,957,250	0.9%
03582 93.778 - Med Ben 100%	15,590,985	5.3%	16,730,585	5.1%	17,330,471	5.0%
03583 93.778 - Med Ben Fmap	167,033,615	57.0%	181,997,859	55.3%	194,425,500	56.2%
03596 03 Indirect Activity Prog 07	284,306	0.1%	1,389,351	0.4%	1,388,946	0.4%
03607 Cardiovascular Disease	260,833	0.1%	240,728	0.1%	240,502	0.1%
03668 Minority Health Assessment	21,928	0.0%	-	0.0%	-	0.0%
03681 6901-Mt Fd Safe Adv Cncl93.103	2,701	0.0%	2,701	0.0%	2,701	0.0%
03689 6901 Bioter Hosp Preparedness	-	0.0%	2,824,154	0.9%	2,824,727	0.8%
03690 6901-Rape Prev & Educ 93.126	-	0.0%	77,521	0.0%	77,521	0.0%
03929 Seroprevalence/Surveillance	60,267	0.0%	60,267	0.0%	60,267	0.0%
03936 Vaccination Program	619,796	0.2%	924,050	0.3%	924,056	0.3%
03937 Std Program	259,162	0.1%	270,511	0.1%	270,468	0.1%
03938 Aids Fed. Cat. #13.118	1,273,850	0.4%	1,305,337	0.4%	1,306,894	0.4%
03947 Breast & Cervical Cancer Prev.	1,040,994	0.4%	2,034,562	0.6%	2,034,714	0.6%
03959 Bioterrorism	455,131	0.2%	7,811,490	2.4%	7,811,253	2.3%
03969 Bunker Hill Project	140,601	0.0%	140,601	0.0%	140,601	0.0%
03998 Fetal Alcohol Syndrome	680,256	0.2%	731,054	0.2%	730,908	0.2%
Grand Total	\$ 292,850,571	100.0%	\$ 328,989,982	100.0%	\$ 345,888,377	100.0%

The division is funded from general fund, state special revenue and federal funds. The table on the previous page shows the fiscal 2002 base budget funding compared to the Executive Budget request for the 2005 biennium by specific source.

General fund support declines from 22 percent of the base budget to 20 percent of the 2005 biennium budget request. The reduction is due primarily to funding switches of \$8 million over the biennium that move general fund support for CHIP to tobacco settlement state special revenue per the statutory initiative passed by voters during the November 2002 election (I-146), increases in federal funding for bioterrorism and other functions, and a reduction in the state matching rate for Medicaid.

The biggest share of general fund provides matching funds for the Medicaid programs administered by HPSD - about \$131 million (99 percent) of the \$132 million general fund request for the 2005 biennium. After deducting for Medicaid state match, a net of \$1 million, or 1.0 percent of the division general fund request, supports other programs and functions.

During the 2003 biennium, general fund supported a share of the state match requirement for the Maternal Child Health (MCH) block grant and the following programs and functions: 1) the MIAMI project; 2) family planning and public health lab functions; and 3) the End State Renal Program. Continuation of these general fund functions is eliminated in the Executive Budget.

State special revenue rises from 1.4 percent of base budget funding to 3.2 percent of the 2005 biennium budget request. The primary change is due to the CHIP funding switch discussed previously. Several state special revenue sources support \$6.8 million in state Medicaid match over the biennium with the most significant sources being interest income from the constitutional tobacco settlement trust and income allocated by 1-146, and revenue from the county nursing home Medicaid intergovernmental transfer. Other sources of state special revenue are fee income from emergency medical services (EMS) training and county funds for food and consumer safety functions.

Federal funding rises slightly in the 2005 biennium request (77.0 percent) from the base budget (76.0 percent). Federal funds support: a share of Medicaid and CHIP administrative and service costs and public health programs, including prevention programs. HPSD also administers two federal block grants, the MCH grant and the Preventive Health Block Grant.

The most significant federal funding source is Medicaid funds, which decline from 63.0 percent of the division funding in the base budget year to 61.0 percent in fiscal 2005. The second most significant source is the grant for the WIC program with 4.0 percent of total division funding in fiscal 2005, followed by federal CHIP grant funds with 3.0 percent, and bioterrorism funding with 2.0 percent.

Maternal Child Health Block Grant

Montana receives a \$2.6 million MCH block grant annually. Federal regulations specify that: 1) not more than 10 percent of the MCH grant may be used for administering the program; 2) at least 30 percent of the MCH grant must be used for preventive and primary services for children; and 3) at least 30 percent must be used for children with special needs. The state must conduct a comprehensive statewide assessment of MCH needs every 5 years. The MCH grant requires that every \$4 of block grant funds must be matched with \$3 dollars of state or local funds. Entities that receive allocations from the MCH grant provide the required match. The state must maintain the level of state funding provided for MCH programs in fiscal 1989 - \$485,480.

LFD COMMENT

The Executive Budget reduces the state match for the MCH block by \$0.6 million general fund each year of the 2005 biennium. DPHHS staff indicate that counties have reported the amount needed for the difference, and it is anticipated that that county funding will continue to be: a) adequate to cover the required match amount; and b) accepted by the federal government as substitute for state match. If either of those conditions is not met, Montana could lose the entire MCH block grant. Figure 34 shows how the grant is allocated in the Executive Budget.

Figure 34
Allocation of MCH Block Grant Compared to Grant Amount

Function	Fiscal 2004	Fiscal 2005	Percent of Total
FCH Admin	\$ 1,517,510	\$ 1,517,224	54%
Children's Special Health Services	845,017	845,111	30%
MIAMI/Perinatal	307,977	307,623	11%
Family Planning	146,907	147,380	5%
Total Allocated	<u>\$ 2,817,411</u>	<u>\$ 2,817,338</u>	100%
Current Grant Amount	\$ 2,615,865	\$ 2,615,865	
Grant Over (Under) Budget Request	\$ (201,546)	\$ (201,473)	-7%

Figure 35
Allocation of Preventive Health Block Grant Compared to Grant Amount

Function	Fiscal 2004	Fiscal 2005	Percent of Total
Health Systems Bur.	\$ 415,597	\$ 416,586	40%
Emergency Med. Services	248,686	249,759	24%
Family Planning	152,468	152,468	15%
Chronic Disease	118,232	118,232	11%
Sexual Assault	81,807	81,807	8%
Immunization	20,023	20,023	2%
FCH Admin	<u>8,096</u>	<u>8,096</u>	1%
Total Allocated	\$ 1,044,909	\$ 1,046,971	100%
Current Grant Amount	<u>\$ 966,283</u>	<u>\$ 966,283</u>	
Grant Over (Under) Budget Request	<u>\$ (78,626)</u>	<u>\$ (80,688)</u>	-8%

**LFD
ISSUE**

The fiscal 2002 MCH block grant was \$2,615,865 and DPHHS submitted a grant application for the same amount for fiscal 2003. The amount of MCH block grant for the 2005 biennium is unknown, but if it remains at the same level, it will be about 7 percent below the amount included in the executive budget, which is \$2,817,441. Figure ____ does not include an allocation of MCH block grant funds for indirect costs, so the shortfall potentially could be greater than shown. The legislature may wish to ask DPHHS where reductions would be made if the grant were below the level anticipated in the budget.

Preventive Health Block Grant

Montana received \$966,283 for the Preventive Health Block Grant in the base year. Figure 35 shows the executive request for the 2005 biennium. No more than 10.0 percent of the block grant can be spent for cost allocated administrative functions (estimated at 5.4 percent in the 2003 biennium). Some of the funds must be used for sexual assault and rape prevention programs. Funds can also be used to provide seed money for priority health programs that can be funded from other sources later, and state-identified health problems and public health infrastructure for which there is no other funding source. An advisory committee makes recommendations on the allocation of the Preventive Health Block Grant using criteria to rank the size and seriousness of a health problem, the effectiveness of intervention, and the availability of funding from other sources.

**LFD
ISSUE**

The annual amount included in the Executive Budget request for the Preventive Health Block Grant in the 2005 biennium is about \$80,000 more than the annual grant amount expected by DPHHS. The legislature may wish to request that DPHHS indicate how the amounts in Figure 35 would change to accommodate a lower level of Preventive Health Block Grant.

Present Law Adjustments										
-----Fiscal 2004-----					-----Fiscal 2005-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				1,043,495						1,047,585
Vacancy Savings				(332,661)						(332,824)
Inflation/Deflation				11,366						13,927
Fixed Costs				78,628						95,393
Total Statewide Present Law Adjustments				\$800,828						\$824,081
DP 39 - Distance Learning Coordinator Position	1.00	0	0	46,583	1.00	0	0	46,451	46,451	
DP 41 - Primary Care Recruitment of Local Medical Provider	0.50	0	0	0	0.50	0	0	0	0	0
DP 50 - Medicaid Caseload Adjustment 2004 and 2005	0.00	5,904,545	1,750,000	12,585,558	0.00	10,231,918	1,750,000	24,921,832	36,903,750	
DP 56 - Medicare Buy-In Caseload Adjustment for 2004-2005	0.00	402,923	0	1,082,781	0.00	625,840	0	1,644,163	2,270,003	
DP 57 - Enhance SEARCH Program	0.00	0	0	82,700	0.00	0	0	82,700	82,700	
DP 60 - FDA Contract Increase	0.00	0	0	8,000	0.00	0	0	8,000	8,000	
DP 64 - Bioterrorism Preparedness	15.50	0	0	10,181,468	15.50	0	0	10,181,296	10,181,296	
DP 68 - IHS Caseload Adjustment	0.00	0	0	1,139,600	0.00	0	0	1,739,486	1,739,486	
DP 70 - Increase Laboratory Supply Budget	0.00	0	64,000	0	0.00	0	98,000	0	98,000	
DP 72 - Increase for Utilization Review Contract	0.00	32,500	0	97,500	0.00	33,240	0	99,720	132,960	
Total Other Present Law Adjustments	17.00	\$6,339,968	\$1,814,000	\$25,224,190	17.00	\$10,890,998	\$1,848,000	\$38,723,648	\$51,462,646	
Grand Total All Present Law Adjustments				\$34,178,986					\$52,286,727	

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals										
-----Fiscal 2004-----					-----Fiscal 2005-----					
Program	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 37 - Family Planning Supplemental Authority	07	0.50	0	0	251,963	0.50	0	0	115,583	115,583
DP 40 - Obesity Prevention Program	07	2.00	0	0	417,510	2.00	0	0	417,232	417,232
DP 42 - Immunization Increase	07	0.00	0	0	300,000	0.00	0	0	300,000	300,000
DP 45 - Behavior Risk Factor Surveillance Coordinator	07	1.00	0	0	53,398	1.00	0	0	53,252	53,252
DP 48 - Fetal Alcohol Syndrome Coordinator	07	1.00	0	0	50,798	1.00	0	0	50,652	50,652
DP 49 - Pay Off Wells Fargo Loan for Equipment	07	0.00	0	51,988	0	0.00	0	0	0	0
DP 51 - WIC Administrative Support	07	1.00	0	0	0	1.00	0	0	0	0
DP 52 - Medicaid Breast & Cervical Cancer Treatment Prog	07	0.00	207,174	0	339,055	0.00	208,378	0	337,851	546,229
DP 53 - Montana Breast & Cervical Health Program	07	1.00	0	0	939,750	1.00	0	0	939,618	939,618
DP 54 - Epidemiology Support for Diabetes Program	07	0.50	0	0	27,506	0.50	0	0	27,434	27,434
DP 55 - School Health Coordinator	07	1.50	0	85,284	0	1.50	0	85,101	0	85,101

New Proposals											
Program	Fiscal 2004					Fiscal 2005					Total Funds
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
DP 65 - School Services Contract and Program Monitor	07	1.00	(113,257)	0	8,178,235	8,064,978	1.00	(277,648)	0	8,026,626	7,748,978
DP 66 - Medicaid Pharmacy Audit	07	0.00	(23,341)	0	(275,461)	(298,802)	0.00	(54,862)	0	(356,640)	(411,502)
DP 67 - Laboratory Equipment Replacement	07	0.00	0	195,000	0	195,000	0.00	0	195,000	0	195,000
DP 74 - County Public Health Department Administrative IGT	07	0.00	0	125,000	125,000	250,000	0.00	0	125,000	125,000	250,000
DP 237 - Cardiovascular Disease 1.5 FTE	07	1.50	0	0	54,128	54,128	1.50	0	0	53,997	53,997
DP 240 - Eliminate ESRD Program	07	0.00	(100,000)	0	0	(100,000)	0.00	(100,000)	0	0	(100,000)
DP 242 - Reduce Optional Services	07	0.00	(250,000)	0	(671,829)	(921,829)	0.00	(250,000)	0	(656,783)	(906,783)
DP 244 - Limit Physicians Visits to 10 Per Year	07	0.00	(700,561)	0	(1,882,629)	(2,583,190)	0.00	(760,809)	0	(1,998,745)	(2,759,554)
DP 245 - Eliminate Posion Control System	07	0.00	(38,954)	0	0	(38,954)	0.00	(38,954)	0	0	(38,954)
DP 246 - Reduce Tumor Registry General Fund Support	07	0.00	(26,774)	0	0	(26,774)	0.00	(26,774)	0	0	(26,774)
DP 247 - Eliminate General Fund Support for Public Health Lab	07	0.00	(185,374)	0	0	(185,374)	0.00	(185,374)	0	0	(185,374)
DP 248 - Reduce Epidemiology and Surveillance General Fund	07	0.00	(25,000)	0	0	(25,000)	0.00	(25,000)	0	0	(25,000)
DP 249 - Eliminate AIDS Prevention General Fund	07	0.00	(42,000)	0	0	(42,000)	0.00	(42,000)	0	0	(42,000)
DP 250 - Eliminate MIAMI/Perinatal General Fund Support	07	0.00	(567,128)	0	0	(567,128)	0.00	(567,128)	0	0	(567,128)
DP 251 - Eliminate General Fund Support For Farmers Market	07	0.00	(12,828)	0	0	(12,828)	0.00	(12,828)	0	0	(12,828)
DP 252 - Eliminate Family Planning General Fund Support	07	0.00	(25,948)	0	0	(25,948)	0.00	(25,948)	0	0	(25,948)
DP 253 - Fund Switch For The CHIP Program	07	0.00	(4,096,947)	4,096,947	0	0	0.00	(4,258,500)	4,258,500	0	0
DP 254 - Reduce Provider Reimbursement	07	0.00	(1,263,945)	0	(3,396,621)	(4,660,566)	0.00	(1,404,725)	0	(3,690,397)	(5,095,122)
DP 255 - Environmental Health Tracking	07	2.00	0	0	510,866	510,866	2.00	0	0	510,866	510,866
DP 256 - Libby Asbestos Screening	07	2.00	0	0	590,000	590,000	2.00	0	0	590,000	590,000
DP 257 - Transportation Program Changes	07	0.00	(82,888)	0	(222,746)	(305,634)	0.00	(86,038)	0	(226,033)	(312,071)
DP 258 - Pharmacy Program Changes	07	0.00	(82,372)	0	(221,360)	(303,732)	0.00	(82,372)	0	(216,402)	(298,774)
DP 259 - Reduce HPSD Admininstration	07	0.00	(35,000)	0	0	(35,000)	0.00	(35,000)	0	0	(35,000)
DP 260 - Property Eligibility Exclusion Medicaid Reduction	07	0.00	(92,101)	0	(247,504)	(339,605)	0.00	(92,101)	0	(241,961)	(334,062)
DP 261 - Rape Prevention	07	0.00	0	0	77,521	77,521	0.00	0	0	77,521	77,521
DP 282 - FTE Reduction	07	(1.00)	(20,209)	0	(22,421)	(42,630)	(1.00)	(20,209)	0	(22,301)	(42,510)
DP 8063 - Pool & Spa Exemptions (Requires Legislation)	07	0.00	0	8,500	0	8,500	0.00	0	9,000	0	9,000
Total	14.00	(\$7,577,453)	\$4,562,719	\$4,975,159	\$1,960,425	14.00	(\$8,137,892)	\$4,672,601	\$4,216,370	\$751,079	

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

Sub-Program Details

DIVISION ADMINISTRATION 01

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	9.00	0.00	4.00	13.00	0.00	4.00	13.00	13.00
Personal Services	462,697	63,558	198,278	724,533	62,455	197,620	722,772	1,447,305
Operating Expenses	276,370	5,075	867,588	1,149,033	5,589	868,246	1,150,205	2,299,238
Equipment	0	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$739,067	\$68,633	\$1,065,866	\$1,873,566	\$68,044	\$1,065,866	\$1,872,977	\$3,746,543
General Fund	199,425	32,811	(35,000)	197,236	32,627	(35,000)	197,052	394,288
State/Other Special	82,861	1,238	0	84,099	1,238	0	84,099	168,198
Federal Special	456,781	34,584	1,100,866	1,592,231	34,179	1,100,866	1,591,826	3,184,057
Total Funds	\$739,067	\$68,633	\$1,065,866	\$1,873,566	\$68,044	\$1,065,866	\$1,872,977	\$3,746,543

Division administration provides the overall management and direction for the division and administers special projects. The administrative function is supported by general fund, state special revenue, and federal funds. Division administration is cost allocated among programs based on a federally approved cost allocation plan and also includes activities that are directly funded by special federal grants.

The 2005 biennium budget request is about \$1.1 million higher annually compared to base budget expenditures due to two new proposals for federal grant funds for asbestos screening and environmental health tracking. General fund declines from 27.0 percent of base budget funding to 11.0 percent of the 2005 biennium request, due to the significant increase in federal funds and due to an unspecified general fund reduction.

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				85,486					84,337
Vacancy Savings				(21,928)					(21,882)
Inflation/Deflation				916					1,022
Fixed Costs				4,159					4,567
Total Statewide Present Law Adjustments				\$68,633					\$68,044
Grand Total All Present Law Adjustments				\$68,633					\$68,044

Executive Present Law Adjustments

The only present law adjustments in the Division Administration program are statewide adjustments for pay plan increases, fixed costs and inflation. Such adjustments, including vacancy savings, total about \$137,000 over the biennium, and are funded 48 percent from the general fund.

New Proposals										
Sub Program	Fiscal 2004					Fiscal 2005				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 255 - Environmental Health Tracking										
01	2.00	0	0	510,866	510,866	2.00	0	0	510,866	510,866
DP 256 - Libby Asbestos Screening										
01	2.00	0	0	590,000	590,000	2.00	0	0	590,000	590,000
DP 259 - Reduce HPSD Administration										
01	0.00	(35,000)	0	0	(35,000)	0.00	(35,000)	0	0	(35,000)
Total	4.00	(\$35,000)	\$0	\$1,100,866	\$1,065,866	4.00	(\$35,000)	\$0	\$1,100,866	\$1,065,866

New Proposals

DP 255 - Environmental Health Tracking - This proposal would establish authority for Environmental Health Tracking through a five-year cooperative agreement between the National Center for Environmental Health at the Centers for Disease Control and Prevention and DPHHS. The proposal is supported by a five-year federal grant of \$510,866 per year. Montana was 1 of 10 states to receive the federal award. HB 582, passed by the 2001 legislature, directed the DPHHS to determine the feasibility of establishing a tracking system for chronic diseases related to environmental sources.

Funding would support 2.00 FTE to work with the agency medical officer and consultants from other state agencies and institutions as well as the national center to establish a program linking environmental exposures and chronic diseases with the goal of averting adverse public health exposures.

DP 256 - Libby Asbestos Screening - This proposal would establish and operate a screening and surveillance program in Libby for current and prior residents exposed to asbestos minerals from vermiculite. The federal Agency for Toxic Substances and Disease Registry has granted DPHHS \$590,000 per year for a period of five years. This program would provide screening and surveillance services and would fund 2.00 FTE.

This program would operate year round, rather than summers only as in the current federal program, allowing individuals a greater period of access to the testing. Individuals identified with medical problems would be informed of the test results and referred to a health care facility of their choice. The federal program identified evidence of asbestos related health problems in approximately 18 percent of the 7,307 persons tested.

DP 259 - Reduce HPSD Administration - This proposal would reduce the administrative budget by \$70,000 general fund over the biennium.

LFD ISSUE	<p>DPHHS staff indicates that this reduction will be accomplished by reducing administrative staff support from the equivalent of 3.00 FTE to 1.00 FTE, including a reduction in the level of budgeted FTE by 1.00. However, the decision package does not include the reduced FTE. The legislature may wish to request that DPHHS identify the position that would be eliminated, and if it accepts the executive proposal, include the FTE for reduced funding.</p>
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Sub-Program Details

MEDICAID 02

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	26.00	0.00	0.00	26.00	0.00	0.00	26.00	26.00
Personal Services	1,133,340	133,056	8,168	1,274,564	134,739	8,142	1,276,221	2,550,785
Operating Expenses	2,894,471	144,265	455,673	3,494,409	152,390	152,600	3,199,461	6,693,870
Equipment	0	0	0	0	0	0	0	0
Grants	21,549	0	0	21,549	0	0	21,549	43,098
Benefits & Claims	242,233,501	22,865,407	(1,158,622)	263,940,286	40,913,239	(1,875,913)	281,270,827	545,211,113
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$246,282,861	\$23,142,728	(\$694,781)	\$268,730,808	\$41,200,368	(\$1,715,171)	\$285,768,058	\$554,498,866
General Fund	59,630,425	6,433,772	(2,521,500)	63,542,697	10,986,706	(2,920,386)	67,696,745	131,239,442
State/Other Special	1,545,371	1,750,000	125,000	3,420,371	1,750,000	125,000	3,420,371	6,840,742
Federal Special	185,107,065	14,958,956	1,701,719	201,767,740	28,463,662	1,080,215	214,650,942	416,418,682
Total Funds	\$246,282,861	\$23,142,728	(\$694,781)	\$268,730,808	\$41,200,368	(\$1,715,171)	\$285,768,058	\$554,498,866

The Medicaid program administers primary care Medicaid services, including hospital, physician, drugs, durable medical equipment and outpatient therapies. The Medicaid program budget is the most significant program administered by the division, accounting for 82 percent of the 2005 biennium division budget request and 99 percent of the general fund. Within the Medicaid program, direct service costs account for 98 percent of the budget request while total operating and personal services costs comprise 2 percent.

The Medicaid program budget increases primarily due to present law caseload adjustments to account for additional eligible persons, increasing acuity of care, and utilization of services. Present law increases are partially offset by reductions in provider rates, eligibility changes, and other Medicaid programmatic changes.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				185,820					187,574	
Vacancy Savings				(52,764)					(52,835)	
Inflation/Deflation				10,023					10,167	
Fixed Costs				4,242					9,263	
Total Statewide Present Law Adjustments				\$147,321					\$154,169	
DP 50 - Medicaid Caseload Adjustment 2004 and 2005										
	0.00	5,904,545	1,750,000	12,585,558	20,240,103	0.00	10,231,918	1,750,000	24,921,832	36,903,750
DP 56 - Medicare Buy-In Caseload Adjustment for 2004-2005										
	0.00	402,923	0	1,082,781	1,485,704	0.00	625,840	0	1,644,163	2,270,003
DP 68 - IHS Caseload Adjustment										
	0.00	0	0	1,139,600	1,139,600	0.00	0	0	1,739,486	1,739,486
DP 72 - Increase for Utilization Review Contract										
	0.00	32,500	0	97,500	130,000	0.00	33,240	0	99,720	132,960
Total Other Present Law Adjustments										
	0.00	\$6,339,968	\$1,750,000	\$14,905,439	\$22,995,407	0.00	\$10,890,998	\$1,750,000	\$28,405,201	\$41,046,199
Grand Total All Present Law Adjustments				\$23,142,728					\$41,200,368	

Executive Present Law Adjustments

DP 50 - Medicaid Caseload Adjustment 2004 and 2005 - Medicaid services cost for the 2005 biennium is projected to increase by \$57 million, including \$16 million general fund, \$4 million state special revenue from the constitutional

tobacco settlement trust interest, and \$38 million federal funds. Medicaid is an entitlement program for all persons who meet the eligibility criteria.

DPHHS uses a complex projection methodology to estimate Medicaid cost changes. Statistics and trends relating to monthly eligibility, type of provider, number of services, cost per service, and health care inflation are taken into account in the projections. Failure to account for changes in caseload could materially misstate the Medicaid base budget in 2004 and 2005.

This proposal reflects projected changes in the eligible population and changes in the acuity level of medical conditions of and treatment for eligible persons. Rate increases are commonly submitted separately as new issues for legislative deliberation.

**LFD
COMMENT**

Projected Medicaid costs began to decline slightly in late fiscal 2002 as increases in the number of eligible persons stabilized. The legislature will review updated projections to determine the appropriation level for services in both DP 50 and DP56 Medicare Buy-in Caseload Adjustments

DP 56 - Medicare Buy-In Caseload Adjustment for 2004-2005 - This request would add \$4 million over the biennium, including \$1 million general fund. The Medicare buy-in allows state Medicaid programs to pay premiums to purchase Medicare coverage for Medicaid recipients who are dually eligible for Medicare and Medicaid. Medicare then covers the cost of most services for individuals with no further Medicaid liability. Medicaid is liable for the costs of non-Medicare covered services, and for co-insurance and deductibles related to services utilized. Prescription drugs are an example of a Medicaid covered service that is not always paid by Medicare.

This request reflects expected increases in the number of persons eligible and premiums for Medicare Part A and Part B. The request is based on the assumption that the number of persons eligible for both Part A and Part B would increase an average of 2 percent, consistent with the increase over the last several years: 411 to 419 persons per month for Part A and 13,721 to 13,995 persons for Part B. Part B monthly premiums are projected to increase from \$50 in fiscal 2002, to \$58.32 in fiscal 2004, and to \$62.99 in fiscal 2005, an increase of 8 percent annually. No increase is projected for Part A premiums.

DP 68 - IHS Caseload Adjustment - This proposal would add \$3 million federal funds for the biennium for Indian Health Services (IHS) caseload increases. The Medicaid IHS program is 100 percent federally funded. The federally mandated program provides payment to IHS providers for services to Native Americans who are also Medicaid eligible.

DPHHS has estimated that IHS will have a caseload increase of 3.5 percent per year over the biennium. Under federal rules, the IHS is considered the payer of last resort. Accordingly, the Medicaid program must provide payment to the IHS or IHS providers for Native Americans who are also on Medicaid. The IHS in Montana is making a concerted effort to identify all Medicaid eligible persons who are also IHS recipients and to bill appropriately for services.

DP 72 - Increase for Utilization Review Contract - This request would add \$197,220 in federal funds and \$65,740 in general fund for the biennium. Contract increases would fund expansion of more intensive clinical case management, and prior authorization of pharmacy services and additional reviews, due to rising numbers of recipients and increased demands for private duty nursing. The current contract requires additional funds for out-of-state prior authorization reviews and retrospective reviews. The current contract will expire during the biennium, requiring a re-bid, which usually results in increases in contracted amounts.

New Proposals										
Sub Program	Fiscal 2004					Fiscal 2005				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 52 - Medicaid Breast & Cervical Cancer Treatment Prog										
02	0.00	207,174	0	339,055	546,229	0.00	208,378	0	337,851	546,229
DP 65 - School Services Contract and Program Monitor										
02	1.00	(113,257)	0	8,178,235	8,064,978	1.00	(277,648)	0	8,026,626	7,748,978
DP 66 - Medicaid Pharmacy Audit										
02	0.00	(23,341)	0	(275,461)	(298,802)	0.00	(54,862)	0	(356,640)	(411,502)
DP 74 - County Public Health Department Administrative IGT										
02	0.00	0	125,000	125,000	250,000	0.00	0	125,000	125,000	250,000
DP 240 - Eliminate ESRD Program										
02	0.00	(100,000)	0	0	(100,000)	0.00	(100,000)	0	0	(100,000)
DP 242 - Reduce Optional Services										
02	0.00	(250,000)	0	(671,829)	(921,829)	0.00	(250,000)	0	(656,783)	(906,783)
DP 244 - Limit Physicians Visits to 10 Per Year										
02	0.00	(700,561)	0	(1,882,629)	(2,583,190)	0.00	(760,809)	0	(1,998,745)	(2,759,554)
DP 254 - Reduce Provider Reimbursement										
02	0.00	(1,263,945)	0	(3,396,621)	(4,660,566)	0.00	(1,404,725)	0	(3,690,397)	(5,095,122)
DP 257 - Transportation program changes										
02	0.00	(82,888)	0	(222,746)	(305,634)	0.00	(86,038)	0	(226,033)	(312,071)
DP 258 - Pharmacy Program Changes										
02	0.00	(82,372)	0	(221,360)	(303,732)	0.00	(82,372)	0	(216,402)	(298,774)
DP 260 - Property Eligibility Exclusion Medicaid Reduction										
02	0.00	(92,101)	0	(247,504)	(339,605)	0.00	(92,101)	0	(241,961)	(334,062)
DP 282 - FTE Reduction										
02	(1.00)	(20,209)	0	(22,421)	(42,630)	(1.00)	(20,209)	0	(22,301)	(42,510)
Total	0.00	(\$2,521,500)	\$125,000	\$1,701,719	(\$694,781)	0.00	(\$2,920,386)	\$125,000	\$1,080,215	(\$1,715,171)

New Proposals

DP 52 - Medicaid Breast & Cervical Cancer Treatment - This request would add \$1.1 million for the biennium, including \$0.4 million general fund, to provide continued funding for Medicaid services for treatment of breast and cervical cancer for women screened through the Montana Breast and Cervical Health (MBHC) program. The individual must be under 65 years of age, uninsured, and have a family gross income at or below 200 percent of the federal poverty level. Individuals eligible under this program are covered for health care services under the basic Medicaid program for the duration of treatment. Basic Medicaid is the same coverage provided under the FAIM (Families Achieving Independence in Montana) program.

Utilizing year to date expenditures as of January 2002, DPHHS estimates the Medicaid breast and cervical cancer related expenditures will be \$458,136 for fiscal 2002. The MBHC program performed about 2,700 screens in fiscal 2002 and increase to 3,200 in fiscal 2003. It is estimated that under proposed funding for the MBHC that 3,800 screens can be performed in fiscal 2004 and 2005. Utilizing the estimates of the screens that are performed by the MBCH program the Medicaid expenditures are estimated to be \$1,095,000 in fiscal 2004 and 2005. This estimate assumes no increase in provider reimbursement rates or volume of services provided to eligible persons. Breast and cervical cancer services have an enhanced federal Medicaid match rate of 81.08 percent for fiscal 2004 and 80.97 percent for fiscal 2005.

LFD COMMENT	Medicaid services for breast and cervical cancer were implemented by legislative initiative and passage of HB 456 by the 2001 legislature. Section 2(2) of that bill requested that the executive consider funding the ongoing state match for the Medicaid breast and cervical cancer treatment from interest income from the tobacco settlement constitutional trust fund. The legislature could consider funding the state match from the trust income. Tobacco trust income is discussed in the agency narrative.
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DP 65 - School Services Contract and Program - This proposal would add \$16.2 million federal authority for a Medicaid school-based services contract, fund 1.00 FTE for a school-based services program monitor, and would include a net savings to the general fund of \$0.4 million over the biennium. The proposal results from a contract study completed in March 2002 to determine potential revenue enhancement possibilities for schools in Montana. The study estimated that

an additional \$7 to \$10 million in annual reimbursement from federal match for Medicaid covered services in Montana public schools. The federal Medicaid reimbursement would replace school funds, freeing up those funds to be used in other areas.

Montana schools are providing services that are eligible for federal Medicaid reimbursement. The Center for Medicare and Medicaid Services (CMS) allows interagency agreements between the state Medicaid agency (DPHHS) and the Montana Office of Public Instruction (OPI) where school districts may certify the nonfederal Medicaid match and receive federal matching funds for the balance of eligible services.

DPHHS and OPI competitively selected a contractor to assist with the program redesign. The firm will develop a process for school districts to claim federal Medicaid reimbursement and certify matching funds for school-based services. In addition, the contractor will assist DPHHS in developing an administrative claiming program and a Medicaid reimbursement program for eligible school services. DPHHS will assume the administration of the program in 2005, with OPI continuing to contract for billing services.

This proposal would fund the contract by shifting general fund used to reimburse education providers from benefits to administrative expenses. This shift would pay for the contract, and 1.00 FTE to monitor the contract and the program. The general fund shifted from benefits to administration in fiscal 2004 is \$178,235, and \$26,626 in fiscal 2005. Net general fund savings are projected to be \$113,258 in fiscal 2004 and \$277,648 in fiscal 2005.

DP 66 - Medicaid Pharmacy Audit - This request would result in total savings of \$710,304 over the biennium including \$78,203 general fund as a result of establishing an in-depth audit program for the Medicaid pharmacy program. Components of the audit program could include pharmacy benefit management, focused investigation audits, in-store audits, desktop audits, and credentialing.

The Medicaid pharmacy benefit is about \$78 million and continues to increase faster than all other health care costs. Pharmacy benefits make up nearly 30.0 percent of Medicaid expenditures. By employing a company that specializes in pharmacy auditing, DPHHS believes it can insure program integrity and create cost savings. Typically, most companies that conduct pharmacy auditing are able to recover at least 0.5.0 percent of total pharmacy expenditures. For Montana Medicaid, an investment of \$250,000 for an auditing contract could potentially recover \$390,000 (based on current drug expenditures).

DP 74 - County Public Health Department Administration - This proposal would add \$0.5 million in federal authority and county funds in the amount necessary to draw down federal Medicaid matching funds for an intergovernmental transfer program for county public health departments. Participating counties would place staff in county public assistance offices and inform all eligible Medicaid recipients under 21 years of age about EPSDT (Early Periodic Screening Diagnosis and Treatment), which is a federally required Medicaid service.

This request assumes that up to five counties would participate in each year of the biennium. The total cost of \$50,000 per county (salary for one professional) would be paid through the transfer. Counties will send DPHHS a check for \$25,000 (50.0 percent of \$50,000). This money would be deposited in a special revenue fund, matched with \$25,000 in federal Medicaid funds, and \$50,000 would be returned to the county.

DP 240 - Eliminate ESRD Program - This proposal would eliminate the \$200,000 general fund support of the End Stage Renal Disease (ESRD) program over the biennium. There are 95 claimants of all ages who receive help with costs for hospital and medical care. In order to be eligible for the assistance from the DPHHS, persons must be diagnosed as having chronic non-reversible kidney disease, and must have incomes below 300 percent of the federal poverty level. All patients on ESRD are also eligible for Medicare with the exception of those waiting for Medicare approval. Medicare does not cover drugs and is considering lowering reimbursement rates. Dialysis is performed three times a week and if patients cannot go to dialysis or get medications it could have a life threatening consequence.

**LFD
ISSUE**

The ESRD program is authorized in statute (Sections 50-44-101 and 102, MCA). The first section states that it is the intent of the legislature "... to insure the establishment of a program for the care and treatment of persons suffering from chronic renal diseases who require lifesaving care and treatment for such renal diseases but who are unable to pay for the services on a continuing basis." The second section requires DPHHS to establish rules to serve those most financially in need and it also specifies that DPHHS "... is not liable to any person for a failure to provide financial assistance to that person under this section if sufficient funds are not appropriated by the legislature."

The legislature may wish to consider eliminating these two code sections if funding for the program is eliminated.

DP 242 - Reduce Optional Services - This proposal would reduce optional Medicaid services for recipients over the age of 21 by \$500,000 general fund, and \$1,328,612 federal funds for the biennium. The department would identify and reduce optional services in an effort to minimize the impact of cost shifting to other programs.

**LFD
ISSUE**

LFD staff has requested that DPHHS specify which optional services it would reduce. Court cases have held that some optional services (such as eyeglasses, hearing aids, and dentures) could not be reduced for certain eligible persons. The legislature may wish to determine whether the optional services that DPHHS would propose to reduce are those that it considers the lowest priority services, and it may wish to consider an amendment to statute to clearly give DPHHS legal authority to reduce optional services. A legislative staff legal analysis concluded that such statutory changes should be made in order to legally reduce such services.

DP 244 - Limit Physicians Visits to 10 Per Year - This proposal would reduce the number of physician visits for SSI (Supplemental Security Income) and TANF recipients to 10 per year and would result in a saving \$5.3 million total funds (\$1.5 million general fund) over the biennium. DPHHS would provide additional physician services if such services are medically necessary. Estimated savings include a reduction of 50.0 percent for additional services and associated implementation costs.

DPHHS would have to implement a prior authorization function to review the medical necessity of services that exceed this limit. The prior authorization function would be an additional administrative function that could be provided under a contract or performed by new FTE with appropriate training.

The proposal impacts 2,297 TANF and 6,012 SSI clients and would result in the elimination of approximately 9,122 visits for TANF clients and 30,436 visits for SSI clients. Under this proposal the client would be responsible for 100.0 percent of provider charges for any services that exceed the limit that are not medically necessary.

**LFD
ISSUE**

This proposal is one of several cost reduction measures proposed in the Executive Budget that may impact provider participation in the Montana Medicaid program. This issue is discussed in greater detail in the following proposed DP 254.

DP 254 - Reduce Provider Reimbursement - This decision package would reduce the payments made to Medicaid providers, saving \$2.7 million general fund and \$7.1 million federal funds for the biennium. The proposal would reduce provider reimbursements by 1.87 percent.

**LFD
ISSUE**

During the 2003 biennium, and potentially again on January 1, 2003, HPSD implemented provider rate reductions in order to avoid a supplemental appropriation. DPHHS staff indicated that Medicaid caseload estimates for the 2005 biennium used provider rate projections as if the rates had not been reduced and the 1.87 percent reduction was imposed after estimates were completed. This estimating methodology would allow DPHHS to raise provider rates above levels being paid in fiscal 2002 and fiscal 2003, potentially giving a rate increase without expressly informing the legislature. LFD staff have requested that HPSD tell the legislature how rates will be established beginning in the 2005 biennium and what types of increases might be implemented and the amount of any such increases.

**LFD
COMMENT**

Documentation submitted by DPHHS to the Office of Budget and Program Planning notes that the consequences or impact of the proposed elimination or reduction might be that health care providers may no longer provide services to needy Medicaid eligible Montanans. Provider rate reductions, coupled with impact of other Medicaid cuts in eligibility and services, puts additional strain on the mandatory services under the Medicaid program, namely physician and hospital services. In fiscal 2002, the 2.6 percent rate reduction resulted in some providers withdrawing from the Medicaid program. However, most providers have continued to provide services for clients. If providers withdraw from the program, it could create an access problem for the state.

Plaintiffs in North Carolina recently prevailed in a lawsuit alleging that state Medicaid rates were so low that most of dentists in the state would not see Medicaid patients - 16 percent of all North Carolina dentists participated in the Medicaid program and some limited the number of Medicaid patients they would see. The U.S. Supreme Court declined to hear an appeal of the case on October 21, 2002, and North Carolina is seeking to get the case dismissed in the district court on other grounds.

Federal Medicaid laws require states to establish rates at levels adequate to attract a sufficient number of providers to participate in the program. However, there is nothing in federal rule that provides guidance on how to determine if rates are adequate. In previous rulings, courts have held that if Medicaid clients have the same access to health care providers as other health care clients, access is adequate, and therefore, rates are adequate.

DP 257 - Transportation Program Changes - This proposal would reduce \$168,926 general fund and \$448,779 of federal funds over the biennium due to changes in the reimbursement rate for mileage for Medicaid transportation. According to ARM 37.862402, coverage of transportation is only available to obtain necessary medical services covered by the Medicaid program. If approved, the mileage rate would be reduced from 34 cents to 13 cents per mile and a portion of the savings would be used to increase the meal and lodging per diem.

**LFD
COMMENT**

DPHHS has the authority to make this change without legislative approval since travel reimbursement rates are established by department rule. Conversely, if the legislature were to deny this request, it would amend statute and establish the Medicaid reimbursement rate in statute to prevent DPHHS from changing it.

DP 258 - Pharmacy Program Changes - This proposal would reduce \$164,744 general fund and \$437,762 federal funds over the biennium as a result of administrative changes to the Medicaid pharmacy program. Changes include: procedures regarding prior authorization; system claim edits; case management; and script quantity policy. While these initiatives should not result in a loss of any benefits, the changes may cause inconvenience to clients or medical staff until they get acclimated to the new system.

DP 260 - Property Eligibility Exclusion Medicaid - This proposal would reduce \$184,202 general fund and \$489,465 federal funds over the biennium by changing the way property is counted when determining eligibility for Medicaid. These changes are discussed in the agency overview since the changes affect Medicaid budget requests in four divisions.

DP 282 - FTE Reduction - This proposal would eliminate 1.00 FTE for a savings of \$40,418 general fund and \$44,722 federal funds for the biennium.

Sub-Program Details

HEALTH SYSTEMS 03

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	32.39	1.50	6.00	39.89	1.50	6.00	39.89	39.89
Personal Services	1,331,925	282,487	276,396	1,890,808	282,805	275,637	1,890,367	3,781,175
Operating Expenses	2,508,526	71,917	1,150,168	3,730,611	73,891	1,150,168	3,732,585	7,463,196
Grants	174,674	0	0	174,674	0	0	174,674	349,348
Benefits & Claims	350	0	0	350	0	0	350	700
Total Costs	\$4,015,475	\$354,404	\$1,426,564	\$5,796,443	\$356,696	\$1,425,805	\$5,797,976	\$11,594,419
General Fund	643,922	(41,023)	(65,728)	537,171	(31,151)	(65,728)	547,043	1,084,214
State/Other Special	34,639	0	0	34,639	0	0	34,639	69,278
Federal Special	3,336,914	395,427	1,492,292	5,224,633	387,847	1,491,533	5,216,294	10,440,927
Total Funds	\$4,015,475	\$354,404	\$1,426,564	\$5,796,443	\$356,696	\$1,425,805	\$5,797,976	\$11,594,419

The Health Systems Bureau is responsible for establishing state public health policy and implementing state programs that promote the health of all Montanans by controlling and preventing chronic diseases and injuries. The bureau:

- Emphasizes development and maintenance of statewide systems to improve delivery of public health programs, chronic disease prevention, health promotion, injury prevention, primary care, and emergency medical services
- Manages statewide programs in breast and cervical cancer screening, diabetes control, cardiovascular disease prevention and tumor registry
- Exercises responsibility for a statewide emergency medical services and trauma system
- Licenses ambulances, trains emergency medical technicians/first responders, monitors Montana hospital trauma response, and operates the poison control center
- Administers health planning functions including the Montana Health Agenda, and the establishment of data sources to assist in health planning and prioritization
- Administers the federal Preventive Health Block Grant, which provides funding for state public health programs

The bureau is funded from general fund, federal funds, and state special revenue. Base budget general fund expenditures supported emergency medical services (\$500,000), tumor registry (\$80,000), bureau administration (\$30,000) and health planning (\$19,000). State special revenue supports trauma system implementation emergency medical technician certification and licensing. Federal grant funds support the balance of program costs.

The 2005 biennium bureau budget is about 2 percent of the division budget and increases about \$2 million per year, including funding for 7.50 FTE. The increase is in federal funds, and is partially offset by a \$0.1 million general fund reduction. General fund reductions would eliminate the poison control program. Federal funds rise primarily due to increases in federal grants of \$0.9 million for breast and cervical cancer and \$0.4 million for obesity prevention.

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				274,777					275,310
Vacancy Savings				(64,272)					(64,290)
Inflation/Deflation				(462)					504
Fixed Costs				15,078					16,021
Total Statewide Present Law Adjustments				\$225,121					\$227,545
DP 39 - Distance Learning Coordinator Position									
1.00		0	0	46,583	1.00		0	0	46,451
DP 41 - Primary Care Recruitment of Local Medical Provider									
0.50		0	0	0	0.50		0	0	0
DP 57 - Enhance SEARCH Program									
0.00		0	0	82,700	0.00		0	0	82,700
Total Other Present Law Adjustments									
1.50	\$0	\$0	\$129,283	\$129,283	1.50	\$0	\$0	\$129,151	\$129,151
Grand Total All Present Law Adjustments				\$354,404					\$356,696

Executive Present Law Adjustments

DP 39 - Distance Learning Coordinator Position - This request would add \$93,034 in federal fund and funds 1.00 FTE for the biennium to make permanent the modified position for the state's distance learning coordinator. The coordinator develops and evaluates statewide distance learning activities for training the public health workforce. The coordinator promotes distance-learning offerings from multiple sources to public health professionals throughout the state and works closely with the Public Health Disaster Coordinator to develop satellite-receiving capability throughout Montana. This position is an integral component of the bioterrorism preparedness effort and of the public health training institute.

DP 41 - Primary Care Recruitment of Local Medical Provider - This request would move spending authority from contracted services to personal services to fund 0.50 FTE to improve recruitment and retention of medical providers in Montana's rural areas. These services are currently provided by temporary contracted services. This FTE would implement the State Conrad 20 program to allow foreign medical graduates to serve in medically underserved areas that have been unable to recruit American born physicians and to implement a medical provider recruiting and tracking program. This position would also assist communities in preparing health personnel shortage area designations. Communities could be eligible for a variety of federal programs including community health center funding, rural health clinic status, and National Health Service Corporation loan repayment, and scholarships.

DP 57 - Enhance SEARCH Program - This request would add \$82,700 federal funds for the National Health Services Corps SEARCH program. The NHSC SEARCH program arranges preceptorships in rural and underserved areas for primary care residents, medical and dental students, mid-level students, and mental health students. The funding would be utilized to contract for developing mental health and dental preceptorships and to support the costs for placing students in underserved rural areas of Montana. NHSC SEARCH participants work with Montana providers who donate their teaching time. Some of the additional funding would help the program expand to include mental health and dental students, develop a preceptor-training program, and to improve community-based training experiences. The program helps link communities with academic institutions, provides community-based training in rural and underserved areas, nurtures cultural competencies, and helps enhance recruitment efforts for rural areas.

New Proposals										
Sub Program	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 40 - Obesity Prevention Program										
03	2.00	0	0	417,510	417,510	2.00	0	0	417,232	417,232
DP 45 - Behavior Risk Factor Surveillance Coordinator										
03	1.00	0	0	53,398	53,398	1.00	0	0	53,252	53,252
DP 53 - Montana Breast & Cervical Health Program										
03	1.00	0	0	939,750	939,750	1.00	0	0	939,618	939,618
DP 54 - Epidemiology Support for Diabetes Program										
03	0.50	0	0	27,506	27,506	0.50	0	0	27,434	27,434
DP 237 - Cardiovascular Disease 1.5 FTE										
03	1.50	0	0	54,128	54,128	1.50	0	0	53,997	53,997
DP 245 - Eliminate Poison Control System										
03	0.00	(38,954)	0	0	(38,954)	0.00	(38,954)	0	0	(38,954)
DP 246 - Reduce Tumor Registry General Fund Support										
03	0.00	(26,774)	0	0	(26,774)	0.00	(26,774)	0	0	(26,774)
Total	6.00	(\$65,728)	\$0	\$1,492,292	\$1,426,564	6.00	(\$65,728)	\$0	\$1,491,533	\$1,425,805

New Proposals

DP 40 - Obesity Prevention Program - The Obesity Prevention program would receive \$834,742 federal funds over the biennium and fund 2.00 FTE if this proposal is approved. The FTE, a program coordinator and a health education specialist would develop and implement a statewide obesity prevention plan, in conjunction with cardiovascular disease prevention task force members. The funds would be used to create a surveillance system to assess and monitor the prevalence of overweight or obese Montana adults and youth. In addition, funding would be used to develop pilot nutrition and physical activity programs for Native American children and their families living on several Montana reservations and in other communities as well.

DP 45 - Behavior Risk Factor Surveillance Coordinator - This request would add \$106,650 in federal funds over the biennium and funding for 1.00 FTE for the state Behavior Risk Factor Surveillance System (BRFSS) coordinator and for data analysis and epidemiological support to the Montana Breast and Cervical Health Program. The FTE is currently a modified FTE and this proposal would make the FTE permanent.

This position coordinates the BRFSS data collection, analyzes, and distributes survey results using appropriate statistical methods, and disseminates survey results through annual and health issue-specific reports. BRFSS is a state-based program that provides the primary source of information on health risk behaviors among Montana's adult population such as perceived health status, access to health care, use of preventive health services, disabilities, tobacco and alcohol use, dietary patterns, physical activities, injury control, and women's health issues. Montana has participated in BRFSS since 1984. The number of Montanans interviewed has increased from 855 in 1984 to 3,000 in 2001.

In addition, this position provides data analysis and epidemiological support to the Montana Breast and Cervical Health Program (MBCHP). These duties include analysis of client information regarding breast and cervical cancer screening services, vital records and Montana Central Tumor Registry data regarding cancer in Montana, BRFSS data regarding cancer screening and prevention practices, and linking of MBCHP data with Montana Central Tumor Registry data.

DP 53 - Montana Breast & Cervical Health Program - This request would add \$1.8 million federal funds and support 1.00 FTE for the Montana Breast and Cervical Health (MBCH) program. The proposal would make permanent the modified position for the American Indian screening coordinator position and would provide American Indian women on each of the seven reservations a variety of specialized health care systems to increase the likelihood that cancers are detected at a treatable stage. Funding would also support an increase in the number of cancer screens provided to women.

Each year, an estimated 600 new cases of breast cancer and 50 cases of cervical cancer will be detected in Montana women. The target population includes women who are 50-64 years of age, are uninsured or under insured, have a family gross income at or below 200 percent of the current federal poverty level, and have rarely or never been screened for cervical cancer.

DP 54 - Epidemiology Support for Diabetes Program - This request would add \$54,940 federal funds over the biennium and fund 0.50 FTE for epidemiology support for the Montana Diabetes program. The position is responsible for designing and implementing surveillance, evaluation systems, and providing statistical and data analysis. These systems are used to set program priorities, design prevention and control programs, and evaluate results. The Montana Diabetes Program works with primary care clinics across the state to improve clinical care of diabetes patients and to increase public awareness and recognition of diabetes as a major health risk.

DP 237 - Cardiovascular Disease 1.5 FTE - The 2001 legislature approved funding for 1.50 FTE added as one-time-only with federal funds. This proposal would add \$108,125 in federal funds for the biennium to continue 1.00 FTE administrative staff support for the Cardiovascular Health Program and 0.50 FTE epidemiology position shared by the Cardiovascular Health and the Diabetes Programs.

DP 245 - Eliminate Poison Control System - This proposal would eliminate the poison control system, which handles nearly 10,000 cases per year, for a \$77,908 general fund biennial savings. Unless private or other federal funding can be located, this will result in a termination of the Montana poison control system. The poison control system handles nearly 10,000 cases per year. Home management is recommended in a majority of these cases resulting in a reduction in emergency room visits. The services of the poison center will not be available to the public or to public health professionals for bioterrorism-related activities.

**LFD
COMMENT**

LFD staff has requested documentation that poisoning incidences that may appear to be related to bioterrorism could be funded through federal bioterrorism grant funds. LFD staff has also requested information on whether there may be other options such as a national hot line.

DP 246 - Reduce Tumor Registry General Fund Support - This request would reduce general fund support for the Tumor Registry by 33.0 percent, for a savings of \$53,548 over the biennium. This proposal reduces or eliminates services to reporting facilities including on-site training, software support, and data follow-up. The reduction may result in less timely and less accurate information in the tumor registry and may compromise ability to monitor trends and to detect cancer clusters.

**LFD
COMMENT**

LFD staff has requested documentation whether the increase in breast and cervical cancer funding could be used to fund tumor registry activities related to breast and cervical cancer. If so, the federal funds could offset some of the general fund reduction for tumor registry.

Sub-Program Details

FAMILY & COMMUNITY HEALTH 04

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	27.27	0.00	4.00	31.27	0.00	4.00	31.27	31.27
Personal Services	1,106,715	184,449	172,399	1,463,563	182,892	171,927	1,461,534	2,925,097
Operating Expenses	2,327,976	4,633	202,818	2,535,427	5,816	66,581	2,400,373	4,935,800
Equipment	0	0	0	0	0	0	0	0
Grants	6,542,681	0	(593,076)	5,949,605	0	(593,076)	5,949,605	11,899,210
Benefits & Claims	9,423,803	0	0	9,423,803	0	0	9,423,803	18,847,606
Total Costs	\$19,401,175	\$189,082	(\$217,859)	\$19,372,398	\$188,708	(\$354,568)	\$19,235,315	\$38,607,713
General Fund	1,236,713	9,150	(605,904)	639,959	9,070	(605,904)	639,879	1,279,838
State/Other Special	0	0	85,284	85,284	0	85,101	85,101	170,385
Federal Special	18,164,462	179,932	302,761	18,647,155	179,638	166,235	18,510,335	37,157,490
Total Funds	\$19,401,175	\$189,082	(\$217,859)	\$19,372,398	\$188,708	(\$354,568)	\$19,235,315	\$38,607,713

The Family and Community Health Bureau administers public health programs for women, children, and families including the Women, Infants, and Children (WIC) program, Family Planning, the Montana Initiative for the Abatement of Mortality in Infants (MIAMI), perinatal programs, and county grants from the Maternal and Child Health Block Grant. The bureau also coordinates fetal, infant and child mortality reviews, and sudden infant death syndrome (SIDS) prevention.

Program funding is primarily from federal grant funds for WIC, the Maternal Child Health Block Grant, and family planning grant funds. During the base year, general fund supported a genetics contract (about \$600,000 annually), the MIAMI program (about \$570,000 annually), some family planning functions (about \$26,000 annually), matching funds for WIC farmer's market grants (about \$13,000 annually), and bureau administration costs (about \$41,000 annually). The balance of the functions was supported by federal funds.

The 2005 biennium budget request decreases about \$100,000 total funds compared to the fiscal 2002 base budget. General fund reductions of \$1.2 million are nearly offset by increases in federal and state special revenue. General fund reductions remove all general fund support for the MIAMI program, family planning, and WIC farmer's market grants. Increases in federal funds for family planning and fetal alcohol syndrome offset some of the reductions. State special revenue supports school health coordinator positions

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				238,247					236,626
Vacancy Savings				(53,798)					(53,734)
Inflation/Deflation				(1,446)					(1,064)
Fixed Costs				6,079					6,880
Total Statewide Present Law Adjustments				\$189,082					\$188,708
Grand Total All Present Law Adjustments				\$189,082					\$188,708

New Proposals										
Sub Program	Fiscal 2004					Fiscal 2005				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 37 - Family Planning Supplemental Authority										
04	0.50	0	0	251,963	251,963	0.50	0	0	115,583	115,583
DP 48 - Fetal Alcohol Syndrome Coordinator										
04	1.00	0	0	50,798	50,798	1.00	0	0	50,652	50,652
DP 51 - WIC Administrative Support										
04	1.00	0	0	0	0	1.00	0	0	0	0
DP 55 - School Health Coordinator										
04	1.50	0	85,284	0	85,284	1.50	0	85,101	0	85,101
DP 250 - Eliminate MIAMI/Perinatal General Fund Support										
04	0.00	(567,128)	0	0	(567,128)	0.00	(567,128)	0	0	(567,128)
DP 251 - Eliminate Gen Fund Support For Farmers Market										
04	0.00	(12,828)	0	0	(12,828)	0.00	(12,828)	0	0	(12,828)
DP 252 - Eliminate Family Planning Gen Fund Support										
04	0.00	(25,948)	0	0	(25,948)	0.00	(25,948)	0	0	(25,948)
Total	4.00	(\$605,904)	\$85,284	\$302,761	(\$217,859)	4.00	(\$605,904)	\$85,101	\$166,235	(\$354,568)

New Proposals

DP 37 - Family Planning Supplemental Authority - This request is for \$367,546 additional federal funds for an increased family planning grant for the next biennium and would fund a 0.50 FTE for the Women's and Men's Health Section.

Family planning has an increase in the base amount for \$88,148 each year of the biennium, and an increase of \$136,308 in fiscal 2004 for service expansion, which was part of a three-year plan approved during the last biennium. Additional federal resources would enhance existing services and enable contractors to expand to additional populations.

The department is also requesting funding for an additional 0.50 FTE for the Women's and Men's Health Section. This is a federally funded position to implement federal projects and special initiatives for women's and men's health needs as described in the federal grant request.

LFD COMMENT	LFD staff requested information regarding conditions associated with the increase in federal family planning funds in order to determine whether the increase could be used to offset general fund reductions in the program (see DP 252). However, the increased federal funding is earmarked for specific purposes and cannot be diverted to other uses.
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DP 48 - Fetal Alcohol Syndrome Coordinator - This request would add \$101,450 in federal funds for the biennium for fetal alcohol syndrome prevention and converts the existing 1.00 FTE, modified fetal alcohol syndrome coordinator position, to permanent status.

DP 51 - WIC Administrative Support - This request would fund an additional 1.00 FTE for WIC. The proposal would not add any additional authority since \$53,550 federal authority over the biennium is moved from operating expenses for a contract position to personal services to fund a permanent FTE.

A temporary worker presently fills the position, and conversion to employee status would address vendor management issues identified in a program review in 2001.

DP 55 - School Health Coordinator - This request would fund 1.50 FTE (1.00 FTE grade 16 and 0.50 FTE grade 9) to make permanent the current modified positions for the Coordinated School Health program and additional operating expenses, adding \$170,385 in state special revenue authority for the biennium. The project is a federal funded joint effort with the department and the Office of Public Instruction to implement a Coordinated School Health Program with staff in both departments.

**LFD
COMMENT**

The revenue supporting this proposal appears to be a federal source. The legislature may wish to include federal authority instead of state special revenue if it approves this request.

DP 250 - Eliminate MIAMI/Perinatal General Fund Support - This proposal would reduce \$1.1 million general fund for the MIAMI/Perinatal Program and 30.0 percent of the required state match for the MCH block grant. This funding supports community based public health services in 22 counties and 6 reservations. These services are established and described in MCA 50-19-301 as Montana's Initiative for the Abatement of Mortality in Infants, or the MIAMI program, and in MCA 50-19-401 as the Fetal, Infant and Child Mortality Prevention Act. The elimination of this funding would result in closure of all county and reservation based MIAMI programs, eliminating public health home visiting programs and services for approximately 1,500 high risk pregnant women statewide.

**LFD
ISSUE**

DPHHS has been developing an 1115 (experimental) waiver request to provide different packages of health service benefits for several Medicaid eligibility groups comprised of able-bodied adults. The waiver may include an expansion group. As discussed over the summer of 2002, the expansion would maintain mental health benefits for a number of adults currently eligible for the state supported Mental Health Services Plan and provide a limited physical health benefit as well. During November, DPHHS began exploring the idea of including an additional expansion group of low-income pregnant women. Medicaid currently requires states to cover low-income women with incomes up to 133.0 percent of the federal poverty level (\$24,073 for a family of 4 during 2002). Preliminary analysis indicated that it might be possible to expand Medicaid benefits to more low-income women without changing the general fund cost of the waiver.

If the legislature wants to continue to provide services similar to those provided by MIAMI it could request that DPHHS present the waiver proposal and describe the eligibility and service package that could be accommodated. Providing services through this waiver would not ensure that the same women would be served or that the same services would be provided as in the current MIAMI program. However, it would offset some of the service reduction for some women who would have been served by MIAMI and it might provide more services to more low-income women at no increased general fund cost.

**LFD
COMMENT**

DPHHS is preparing legislation to remove the requirement to contract with local programs to provide MIAMI services. If the legislature accepts this proposal, it should make the proposal contingent on passage and approval of appropriate legislation.

DP 251 - Eliminate General Fund Support for Farmers Market - General fund support added by the 2001 legislature for the farmer's market nutrition program of \$25,656 would be eliminated by this proposal. This funding provides the required match to receive federal WIC Farmer's Market Nutrition Program dollars - about a 30/70 state/federal split. The grant provides food benefits to about 2,200 persons, and \$59,864 in revenue, for 10-15 farmers markets statewide.

DP 252 - Eliminate Family Planning General Fund Support - This proposal would eliminate \$51,896 general fund support for family planning. All general fund goes directly to 15 local agencies in 36 locations for family planning services for poor women. DPHHS estimates that 162 low-income women would receive reduced or no services and that the number of unintended pregnancies would increase by 111 and the number of abortions would increase by 16. This general fund accounts for a small amount of the required state MCH block grant match.

Sub-Program Details

COMMUNICABLE DISEASE 05

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	30.37	15.50	0.00	45.87	15.50	0.00	45.87	45.87
Personal Services	1,395,713	638,165	0	2,033,878	637,747	0	2,033,460	4,067,338
Operating Expenses	3,022,833	1,488,751	314,771	4,826,355	1,577,583	315,021	4,915,437	9,741,792
Equipment	105,663	952,619	0	1,058,282	1,421,209	0	1,526,872	2,585,154
Capital Outlay	0	0	0	0	0	0	0	0
Grants	415,062	7,055,377	4,250	7,474,689	6,501,776	4,500	6,921,338	14,396,027
Benefits & Claims	35,436	0	0	35,436	0	0	35,436	70,872
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$4,974,707	\$10,134,912	\$319,021	\$15,428,640	\$10,138,315	\$319,521	\$15,432,543	\$30,861,183
General Fund	496,299	(15,636)	(67,000)	413,663	(14,587)	(67,000)	414,712	828,375
State/Other Special	425,101	0	8,500	433,601	0	9,000	434,101	867,702
Federal Special	4,053,307	10,150,548	377,521	14,581,376	10,152,902	377,521	14,583,730	29,165,106
Total Funds	\$4,974,707	\$10,134,912	\$319,021	\$15,428,640	\$10,138,315	\$319,521	\$15,432,543	\$30,861,183

The Communicable Disease Control and Prevention Bureau is responsible for several programs related to detection, control, and prevention of communicable diseases. The bureau budget request is about 5 percent of the division biennial budget request. This bureau administers:

- The STD/HIV Prevention Program, which provides surveillance and outbreak control of reportable infectious diseases, including AIDS and other sexually transmitted diseases;
- The Sexual Assault Prevention Program;
- The Immunization Program, which prevents the occurrence and transmission of vaccine-preventable diseases such as measles, mumps, hepatitis, and rubella;
- The Epidemiology Program, which manages the division's efforts toward disease control through surveillance, outbreak response, and epidemiological efforts;
- The Food and Consumer Safety Program, which is responsible for ensuring that healthful conditions exist and are maintained in food serving and processing establishments, hotels, motels, campgrounds, public pools, and trailer parks; and for providing training and support services to local health agencies and sanitarians; and
- The state Public Health Laboratory.

The communicable disease budget rises about \$20 million over the biennium primarily due to requested increases in three federal grants for bioterrorism prevention (\$20 million and 15.50 FTE) and immunization and rape prevention (\$0.7 million). New proposals reduce general fund by \$0.1 million for AIDS prevention and services and epidemiology and surveillance functions.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				(11,740)					(9,781)	
Vacancy Savings				(55,359)					(55,438)	
Inflation/Deflation				522					1,398	
Fixed Costs				12,021					12,840	
Total Statewide Present Law Adjustments				(\$54,556)					(\$50,981)	
DP 60 - FDA Contract Increase	0.00	0	0	8,000	8,000	0.00	0	0	8,000	8,000
DP 64 - Bioterrorism Preparedness	15.50	0	0	10,181,468	10,181,468	15.50	0	0	10,181,296	10,181,296
Total Other Present Law Adjustments										
	15.50	\$0	\$0	\$10,189,468	\$10,189,468	15.50	\$0	\$0	\$10,189,296	\$10,189,296
Grand Total All Present Law Adjustments				\$10,134,912					\$10,138,315	

Executive Present Law Adjustments

DP 60 - FDA Contract Increase - This request would add an additional \$16,000 federal funds for the biennium for contracting authority increases. DPHHS contracts with the FDA to inspect food manufacturers that ship their products across state lines (interstate).

DP 64 - Bioterrorism Preparedness - This proposal would add \$20 million federal funds and funding for 15.50 FTE for the biennium for bioterrorism. These funds would be used to upgrade state and local public health jurisdiction preparedness for and response to bioterrorism, other outbreaks of infectious disease, and other public health threats and emergencies, and to upgrade hospital preparedness.

Key focus areas include:

- Preparedness planning and readiness assessment
- National pharmaceutical stockpile (NPS) preparedness
- Disease surveillance
- Laboratory capacity improvement, which could involve construction
- Development of a health alert network, which provides local health departments with the connectivity to allow rapid receipt and transmission of urgent health information and alerts
- Information and training on communicating health risks and dissemination
- Education and training for responders and the public health workforce, including distance learning and satellite system development
- Assistance to hospitals and other care providers to improve their ability to respond to a bioterrorism event or other public health emergency

The types of FTE that are included are: program management positions; NPS manager; an emergency medical services disaster manager; a contract manager; a surveillance/epidemiology assistant; a public health veterinarian; a laboratory bioterrorism manager; health alert network coordinator; emergency communications coordinator; emergency preparedness training coordinator; distance learning/website coordinator; hospital coordinator; and administrative assistants.

New Proposals										
Sub Program	-----Fiscal 2004-----					-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 42 - Immunization Increase										
05	0.00	0	0	300,000	300,000	0.00	0	0	300,000	300,000
DP 248 - Reduce Epidemiology and Surveillance Gen Fund										
05	0.00	(25,000)	0	0	(25,000)	0.00	(25,000)	0	0	(25,000)
DP 249 - Eliminate AIDS Prevention General Fund										
05	0.00	(42,000)	0	0	(42,000)	0.00	(42,000)	0	0	(42,000)
DP 261 - Rape Prevention										
05	0.00	0	0	77,521	77,521	0.00	0	0	77,521	77,521
DP 8063 - Pool & Spa Exemptions (Requires Legislation)										
07	0.00	0	8,500	0	8,500	0.00	0	9,000	0	9,000
Total	0.00	(\$67,000)	\$8,500	\$377,521	\$319,021	0.00	(\$67,000)	\$9,000	\$377,521	\$319,521

New Proposals

DP 42 - Immunization Increase - This proposal requests \$600,000 in federal funds over the biennium to support increased immunization activities at county public health departments and to distribute vaccine and provide required quality control for the vaccine supply.

The immunization program contracts with the county health department for specific immunization activities at the local county/community level. The program also distributes federally provided vaccine to the public health clinics and private physician offices, and makes quality assurance visits to each clinic annually.

DP 248 - Reduce Epidemiology and Surveillance - This proposal would reduce \$50,000 general fund over the biennium for epidemiology and surveillance. The reduction would result in increasing the allocation of costs of the state epi program to federally funded grant programs. The general fund was also used to address emergencies in local communities related to disease outbreaks, such as the 1999 Hepatitis outbreak in Cascade County. Other issues that could be managed with this funding include e-coli outbreaks and investigations, emergency tuberculosis control and pertussis (whooping cough) control. Without these funds, assistance to local jurisdictions for communicable disease investigations and response would be reduced.

DP 249 - Eliminate AIDS Prevention General Fund - The Executive Budget reduces general fund support for AIDS treatment is reduced by \$84,000 over the biennium. This proposal would remove funding added by legislative initiative during the 2001 session.

The general fund appropriation was administered in conjunction with the federal Ryan White Title II dollars. The monies were used in three ways: 1) to fund a work incentives program which allowed persons previously disabled by AIDS to return to work part time; 2) to finance emergency housing assistance; and 3) to access dental care.

LFD ISSUE The department states that the elimination of this funding could jeopardize federal HIV treatment funds. Withdrawal of state assistance and/or a decrease in Medicaid or Department of Corrections spending on HIV positive persons could endanger the federal award of \$784,000 used for HIV treatment. HRSA Federal Grant Application Guidance, Section III. B. Legislative Mandates, Section 2617(b)(6)(E), of the CARE Act states that the state will maintain HIV-related activities at a level that is equal to the level of expenditures by the state for the one year period preceding fiscal year for which the state is applying for the Title II grant.

LFD staff has requested that DPHHS provide the legislature with specific documentation from the administering federal agency that it will reduce federal grant funds for AIDS. If so, the legislature can consider other alternatives, including appropriating general fund to maintain the grant award or eliminating federal appropriation authority commensurate with the amount of grant reduction.

DP 261 - Rape Prevention - This proposal would add \$155,042 in federal funds for the biennium for the Montana rape prevention and education programs. The Montana rape prevention and education program provides funds to qualified education sites throughout the state.

DP 8063 - Pool & Spa Exemptions - Swimming pools and spas owned and operated by subdivisions of state government are exempt from the \$50 or \$75 per year license fee, depending on type of facility, but are inspected and regulated identically to those operated by private entities. This request is for an increase in state special revenue of \$17,500 over the biennium, contingent on passage and approval of LC 434, which would charge for the inspections commensurate with costs.

Sub-Program Details

HEALTH CARE RESOURCES 06

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	18.00	0.00	0.00	18.00	0.00	0.00	18.00	18.00
Personal Services	756,112	(458)	0	755,654	(727)	0	755,385	1,511,039
Operating Expenses	1,002,982	10,928	0	1,013,910	12,565	0	1,015,547	2,029,457
Grants	1,028	0	0	1,028	0	0	1,028	2,056
Benefits & Claims	13,546,631	0	0	13,546,631	0	0	13,546,631	27,093,262
Total Costs	\$15,306,753	\$10,470	\$0	\$15,317,223	\$11,838	\$0	\$15,318,591	\$30,635,814
General Fund	2,810,311	(72,170)	(4,096,947)	(1,358,806)	(56,008)	(4,258,500)	(1,504,197)	(2,863,003)
State/Other Special	882	(882)	4,096,947	4,096,947	(882)	4,258,500	4,258,500	8,355,447
Federal Special	12,495,560	83,522	0	12,579,082	68,728	0	12,564,288	25,143,370
Total Funds	\$15,306,753	\$10,470	\$0	\$15,317,223	\$11,838	\$0	\$15,318,591	\$30,635,814

The Health Care Resources program administers CHIP and special health services for children and accounts for about 5 percent of the division 2005 biennium budget request. CHIP is most significant service, accounting for \$14.5 million of the annual budget.

The CHIP program includes staff and resources to administer an insurance program for children in families with incomes less than 150 percent of the federal poverty level (\$27,150 for a family of 4 in 2002). The state contracts with private insurance carriers to provide and pay for services. Families with incomes above 100 percent of the federal poverty level pay an annual co-payment of \$215.

CHIP is funded from a fixed federal grant. States have three years to spend the grant allotment from the time it is received. Federal funds require a state match based on a percentage of the match rate for Medicaid benefits. The state match requirement for federal CHIP funding is 18.92 percent in fiscal 2004, and 19.03 percent in fiscal 2005. Administrative costs are limited to 10 percent of the grant amount.

CHIP is not an entitlement. Enrollment in the program is limited by the funds available.

Special health services for children comprise a very small part of the \$15 million annual budget for this program and are supported by about \$845,000 of the federal Maternal Child Health Block grant.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds		FTE	General	State Special	Federal Special	Total Funds
Personal Services				31,026						30,747
Vacancy Savings				(31,484)						(31,474)
Inflation/Deflation				1,391						1,449
Fixed Costs				9,537						11,116
Total Statewide Present Law Adjustments				\$10,470						\$11,838
Grand Total All Present Law Adjustments				\$10,470						\$11,838

Executive Present Law Adjustments

The only present law adjustments for the Health Care Resources program are the statewide present law adjustments. Biennial increases due to annualization of fiscal 2003 pay plan increases are nearly offset by the vacancy savings included in the Executive Budget.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 253 - Fund Switch For The CHIP Program										
06	0.00	(4,096,947)	4,096,947	0	0	0.00	(4,258,500)	4,258,500	0	0
Total	0.00	(\$4,096,947)	\$4,096,947	\$0	\$0	0.00	(\$4,258,500)	\$4,258,500	\$0	\$0

New Proposals

DP 253 - Fund Switch for the CHIP Program - This proposal would reduce general fund by \$8.3 million and increase state special revenue by a like amount for the biennium. This proposal would implement section of I-146, which allocates a portion of tobacco settlement revenue as matching funds to draw down the maximum federal CHIP grant allowable. The Executive Budget allocates \$5.5 million of the tobacco settlement revenue at matching funds for CHIP and the remaining \$2.6 million as matching funds for Medicaid.

LFD ISSUE The Executive Budget removes \$2.6 million more general fund than required to continue CHIP at its present level of services for the 2005 biennium and does not request additional federal CHIP authority to expend the tobacco settlement revenue. The narrative explanation accompanying the Executive Budget also indicates that the \$2.6 million of tobacco settlement state special revenue authority will be used to match Medicaid federal funds.

Legality to Use Tobacco Settlement Funds Allocated to CHIP for Medicaid Match

Narrative included in the Executive Budget and DPHHS staff indicate that \$2.6 million of the tobacco settlement proceeds allocated by I-146 will be used to pay matching costs for Medicaid services. During preliminary budget discussions, DPHHS had considered the option of reducing eligibility for Medicaid as a cost containment measure. The potential eligibility reductions were such that under federal regulations the state would no longer be eligible to receive the federal CHIP grant. The rationale for using tobacco settlement proceeds to match federal Medicaid funds seems to be related to executive decision to remove Medicaid eligibility reductions from its budget request.

**LFD
ISSUE
(Cont.)**

Using tobacco settlement proceeds to match Medicaid funds is not explicitly allowed in the section of I-146 that allocates proceeds to CHIP and for programs of the Comprehensive Health Association. The applicable sections of I-146 read:

"17-6-606. Tobacco settlement accounts - purpose - uses. (1) The purpose of this section is to dedicate a portion of the tobacco settlement proceeds to fund a statewide comprehensive tobacco disease prevention program designed to:

- (a) discourage children from starting use of tobacco;
- (b) assist adults in quitting use of tobacco;
- (c) provide funds for the children's health insurance program; and
- (d) provide funds for the comprehensive health associate programs.

(3) An amount equal to 17% of the total yearly tobacco settlement proceeds received after June 30, 2003, must be deposited in a state special revenue account. Subject to subsection (5) [appropriation by the legislature], the funds referred to in this subsection may be used only for:

- (a) matching funds to secure the maximum amount of federal funds for the Children's Health Insurance Program Act provided for in Title 53, chapter 4, part 10; and
- (b) programs of the comprehensive health association provided for in Title 33, chapter 22, part 15, with funding use subject to 33-22-1513."

The first section of 17-6-606 clearly establishes the uses allowed for the tobacco settlement revenue and providing funds for the Medicaid program is not among them.

Presumably, the executive has relied on the rationale that "matching funds" in Section 17-6-606(3)(a) MCA, means funds that match any federal grant, Medicaid among them. Under such a rationale, one could make the argument that all of the tobacco settlement state special revenue would be needed to prevent Medicaid eligibility reductions in order to ensure receipt of the federal CHIP grant, thereby leaving none of the tobacco settlement proceeds to match federal grant funds. Alternatively, matching funds applied broadly could divert all tobacco settlement proceeds from CHIP to programs with little to no relationship to CHIP.

If the legislature chooses to adopt the executive proposal to use tobacco settlement proceeds to match Medicaid federal funds, it could amend Section 17-6-606, MCA, to explicitly allow that use, and to clarify whether only a portion of proceeds allocated in that section could be used for Medicaid match, or whether all funds could be used. This option would prevent any court action to interpret whether the executive rationale was legal and it could prevent DPHHS use of tobacco settlement proceeds in ways not contemplated by the legislature.

If the legislature accepts the executive proposal, and does not amend Section 17-7-606, MCA, it could also consider establishing a restricted appropriation for CHIP matching funds if it wishes to ensure that funds are not diverted for other uses. Restricting an appropriation does not ensure its expenditure for the use specified, but it does prevent its expenditure for uses not specified.

Sub-Program Details

LAB 07

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	29.00	0.00	0.00	29.00	0.00	0.00	29.00	29.00
Personal Services	1,086,488	186,823	0	1,273,311	189,601	0	1,276,089	2,549,400
Operating Expenses	1,026,164	91,934	9,626	1,127,724	133,157	9,626	1,168,947	2,296,671
Equipment	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	17,881	0	51,988	69,869	0	0	17,881	87,750
Total Costs	\$2,130,533	\$278,757	\$61,614	\$2,470,904	\$322,758	\$9,626	\$2,462,917	\$4,933,821
General Fund	185,374	0	(185,374)	0	0	(185,374)	0	0
State/Other Special	1,945,159	278,757	246,988	2,470,904	322,758	195,000	2,462,917	4,933,821
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$2,130,533	\$278,757	\$61,614	\$2,470,904	\$322,758	\$9,626	\$2,462,917	\$4,933,821

The Laboratory program includes both the clinical and environmental laboratory functions. The Laboratory program accounts for about 1 percent of the total HPSPD 2005 biennium budget request. The Executive Budget removes all general fund, leaving the Laboratory program supported by fee revenue. Other budget requests would add funding to purchase increased supplies and equipment and to pay off equipment loans.

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					239,879					242,772
Vacancy Savings					(53,056)					(53,171)
Inflation/Deflation					422					451
Fixed Costs					27,512					34,706
Total Statewide Present Law Adjustments					\$214,757					\$224,758
DP 70 - Increase Laboratory Supply Budget										
	0.00	0	64,000	0	64,000	0.00	0	98,000	0	98,000
Total Other Present Law Adjustments	0.00	\$0	\$64,000	\$0	\$64,000	0.00	\$0	\$98,000	\$0	\$98,000
Grand Total All Present Law Adjustments					\$278,757					\$322,758

Executive Present Law Adjustments

DP 70 - Increase Laboratory Supply Budget - This request would add \$162,000 of state special revenue authority for the biennium to meet the projected increase in the laboratory supply budget for increased test volumes. Test volumes sent to the laboratory from Montana healthcare providers continue to increase each year, which increases the laboratory supply budget.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 49 - Pay Off Wells Fargo Loan for Equipment										
07	0.00	0	51,988	0	51,988	0.00	0	0	0	0
DP 67 - Laboratory Equipment Replacement										
07	0.00	0	195,000	0	195,000	0.00	0	195,000	0	195,000
DP 247 - Eliminate Gen Fund Support for Public Health Lab										
07	0.00	(185,374)	0	0	(185,374)	0.00	(185,374)	0	0	(185,374)
Total	0.00	(\$185,374)	\$246,988	\$0	\$61,614	0.00	(\$185,374)	\$195,000	\$0	\$9,626

New Proposals

DP 49 - Pay Off Wells Fargo Loan for Equipment - This request would add \$51,988 in state special revenue authority for early pay off of a bank loan for the purchase of organic chemistry equipment for the Environmental Laboratory. There are about three years remaining in the five-year loan with at a projected balance of \$51,988.

DP 67 - Laboratory Equipment Replacement - This request to replace laboratory equipment would add \$390,000 in state special revenue authority for the biennium. Certain equipment items, such as autoclaves and furnaces, will soon become unusable as replacement parts will no longer be available from the manufacturer due to equipment age.

DP 247 - Eliminate Gen Fund Support for Public Health Lab - This proposal would eliminate all general fund support for the public health laboratory, reducing \$370,748 general fund over the biennium. General fund pays for laboratory testing and other functions performed for public health purposes. Such functions include environmental samples for anthrax testing, food out-break testing, or most recently testing mosquito pools for West Nile virus, and tests for influenza, measles, mumps, tuberculosis, and pertussis. Both laboratories have obligations to provide services that benefit the general public. Without general fund support for public health functions, the laboratory would be required to re-assess its role in public health and may be forced to reduce or eliminate some of the services currently provided.

**LFD
ISSUE**

The consequences of elimination of general fund for laboratory functions, for which there is no specific individual beneficiary, but potentially widespread public health benefits, are several. If DPHHS is able to find other funding sources to fund continued public health testing, there would be no consequence. However, if the laboratory reduces or eliminates such testing, the consequences could range from benign with little impact to substantial impairment of DPHHS ability to assist in effective prevention and management of serious disease outbreaks.

Some of the tests may not be performed and there may be no adverse consequences. Some of the tests may not be performed until an outbreak of disease escalates to the point that it cannot be ignored. The consequence in that instance is a reduced opportunity to prevent, manage, or control a public health danger.

Another potential consequence is that other laboratories would perform the tests. In that case, there may be no adverse consequences. However, there are few laboratories that are equipped to manage and control the biological agents, such as tuberculosis, that the public health laboratory routinely processes. It is most likely that tests involving such agents would be conducted by out of state laboratories.

Assuming that other laboratories could or would perform such tests and that entities requesting the tests and laboratories involved would communicate quickly and efficiently with DPHHS personnel, disease management and prevention could still be conducted as efficiently as if the tests were performed by the DPHHS laboratory. However, if for any reason testing or communication did not function effectively, adverse consequences could be a reduced opportunity to prevent, manage, or control a public health danger as previously noted.

There are two options the legislature could consider to potentially provide partial funding for public health laboratory functions for which there is no direct payee or beneficiary. However, both options are limited, and one may have an unintended consequence.

New or Expanded Federal Grants

New and expanded federal grants might be able to fund some of the public health laboratory functions at risk of being discontinued. For example, it seems that the bioterrorism federal grant could be used for anthrax testing. However, there may not be other disease testing, such as West Nile virus, for which a suitable grant source may not exist.

Raise Fees

While it may be possible to raise fees on other types of laboratory functions and use excess fund balances to support public health functions, that may not be a desirable alternative. The disadvantage of this proposal is that persons who need specific services will be providing funds for public health benefits unrelated to the specific service they purchase.

DPHHS staff estimate that it would require at least a 6.6 percent fee increase to provide funds equivalent to the general fund reduction and that such increases may cause persons to send lab tests that are nonemergent out of state.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	109.70	0.00	(2.00)	107.70	0.00	(2.00)	107.70	107.70
Personal Services	4,258,309	780,964	(91,095)	4,948,178	776,077	(91,477)	4,942,909	9,891,087
Operating Expenses	2,278,519	82,593	0	2,361,112	86,948	0	2,365,467	4,726,579
Equipment	17,498	0	0	17,498	0	0	17,498	34,996
Grants	354,100	0	0	354,100	0	0	354,100	708,200
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$6,908,426	\$863,557	(\$91,095)	\$7,680,888	\$863,025	(\$91,477)	\$7,679,974	\$15,360,862
General Fund	1,955,210	323,615	(31,828)	2,246,997	321,879	(31,828)	2,245,261	4,492,258
State/Other Special	224,944	46,074	0	271,018	46,038	0	270,982	542,000
Federal Special	4,728,272	493,868	(59,267)	5,162,873	495,108	(59,649)	5,163,731	10,326,604
Total Funds	\$6,908,426	\$863,557	(\$91,095)	\$7,680,888	\$863,025	(\$91,477)	\$7,679,974	\$15,360,862

Program Description

The Quality Assurance Division provides services that:

- Protect the safety of clients who use Montana health care, day care, and residential providers through licensure and/or certification of 2,567 facilities, 318 of which are certified for Medicare and Medicaid
- Detect and investigate abusive or fraudulent practices in the Medicaid program and initiate recovery efforts
- Reduce Medicaid costs by identifying other insurers or parties responsible for paying a client's medical expenses
- Provide independent audits for DPHHS programs and independent fair hearings for clients and providers participating in DPHHS programs
- Furnish facility management services for the majority of state institutions
- Monitor and evaluate health maintenance organizations for quality assurance and network adequacy
- Maintain the Certified Nurse Aide Registry and approve and monitor 74 Nurse Aide Training programs
- Operate the Certificate of Need (CON) Program

Program Reorganization

The department internal audit function was moved to the Quality Assurance Division from the Director's Office in fiscal 2003. The reorganization involved the transfer of 1.00 FTE.

Program Narrative

Quality Assurance Division Major Budget Highlights
<ul style="list-style-type: none"> ○ Contracted services increase to recover Medicaid costs from third parties ○ Elimination of funding for 2.00 FTE
Major LFD Issues
<ul style="list-style-type: none"> ○ Potential general fund reduction of \$144,855 over the biennium ○ Use of alcohol tax proceeds to fund certification of chemical dependency programs not authorized by statute ○ Potential workload reductions if Executive Budget childcare funding reductions are accepted by the legislature

The Quality Assurance Division budget request rises \$1.5 million from the base budget expenditures over the biennium, which includes a \$0.6 million increase in general fund. The increase is partially offset by funding reductions for 2.00 FTE. Nearly all of the increase is due to personal services and other statewide present law adjustment increases. Increases in personal services rise due to annualization of the fiscal 2003 pay plan and fully funding several positions that were vacant for part of fiscal 2002.

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Quality Assurance Division						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 1,955,210	28.3%	\$ 2,246,997	29.3%	\$ 2,245,261	29.2%
02034 Earmarked Alcohol Funds	58,374	0.8%	66,561	0.9%	66,525	0.9%
02380 02 Indirect Activity Prog 08	4,504	0.1%	5,500	0.1%	5,500	0.1%
02474 Lien & Estate Collections	162,066	2.3%	198,957	2.6%	198,957	2.6%
03096 Discretionary Child Care	430,841	6.2%	430,841	5.6%	430,841	5.6%
03251 Child Care Admin	135,305	2.0%	135,305	1.8%	135,305	1.8%
03303 Title 18 Clia	60,311	0.9%	69,183	0.9%	70,139	0.9%
03335 Fda Mammography Inspections	34,189	0.5%	30,208	0.4%	30,208	0.4%
03530 93.658 - Iv-E Fost Care & Adp	70,303	1.0%	74,272	1.0%	74,157	1.0%
03580 93.778 - Med Adm 50%	949,137	13.7%	979,040	12.7%	980,144	12.8%
03597 03 Indirect Activity Prog 08	1,064,174	15.4%	1,133,046	14.8%	1,131,614	14.7%
03934 Title 19	310,347	4.5%	593,225	7.7%	593,191	7.7%
03935 Title 18	977,682	14.2%	1,051,970	13.7%	1,052,311	13.7%
03948 T-19 Obra Nurse Aid	18,879	0.3%	26,371	0.3%	26,383	0.3%
03960 Rural Hospital Flexibility Prog	677,104	9.8%	639,412	8.3%	639,438	8.3%
Grand Total	\$ 6,908,426	100.0%	\$ 7,680,888	100.0%	\$ 7,679,974	100.0%

The Quality Assurance Division is funded primarily from federal funds (67 percent of the 2005 biennium request). Medicaid funding is the single largest source of federal funds and accounts for 21 percent of the annual program budget request, while Medicare funding supports 14 percent of the budget request. General fund accounts for 28 percent of program funding in the base budget and rises to 29 percent each year of the 2005 biennium request. State special revenue is 4.0 percent.

General fund supports: the full cost of radiological equipment testing; the state match for Medicaid and Title IV-E (foster care) eligible cost; a portion of child care licensure; and a portion of division administration.

LFD ISSUE

Funding Allocation

The general fund support for this program increases from 28 percent of the base budget to 29 percent of the annual budget in the 2005 biennium. If the general fund share of costs remained constant, the general fund support for the 2005 biennium could be reduced by \$144,855 over the biennium. This increase is caused primarily by adjustments to the base budget cost allocation mix of several administrative functions, which adds \$102,857. If the legislature assumes that the 2005 biennium workload will be allocated much as it was during the base budget year, the legislature could reduce general fund by assuming programs will be supported in the same funding mix during the 2005 biennium as in fiscal 2002.

State special revenue includes: alcohol taxes allocated to DPHHS; lien and estate recoveries for Medicaid services; and indirect funds. Alcohol taxes fund staff and contracted services for chemical dependency program licensure. Lien and estate funds pay for contracted services to pursue recoveries for the cost of Medicaid funded nursing home services. The contractor is paid about 20 percent of collections.

**LFD
ISSUE**
Alcohol Tax Funding for Licensure not Within Statutory Guidelines

The use of alcohol taxes allocated to DPHHS is discussed in the agency overview. The Executive Budget includes \$133,086 of state special revenue alcohol tax for chemical dependency program licensure in this program. As discussed in the agency-wide issue, this use is not allowed in statute. Three options are listed for consideration.

- Amend statute to allow administrative or other uses of such revenues
- Replace the alcohol tax with general fund
- Do nothing

**LFD
COMMENT**

The option of discontinuation of chemical dependency program licensure is not listed because it could potentially cause cost increases in for Medicaid chemical dependency services. Without licensure, there is the potential to expand of the number of providers because licensure can act as a form of gate keeper by determining provider qualification for participation in the state Medicaid program.

There are nine separate federal funding sources in the Quality Assurance Division. Some federal sources support more than one function. For instance, Medicaid funds support third party (insurance and private pay) recovery, the surveillance, utilization and review unit, the nurse aide registry for nursing homes, and the Department of Justice fraud investigation contract. Medicaid and Medicare funds support certification of services such as nursing home and personal care services. Medicare CLIA pays for review of some laboratories in order to qualify for federal funding. The rural hospital flexibility grant supports grants and other activities for local hospitals to maintain their critical access hospital status. Childcare funding supports licensure of childcare facilities. Title IV-E pays for the federal share of licensing community residential facilities. Mammography funds pay for inspections of mammography equipment. Federal indirect funding represents the federal share of allocated administrative costs, such as those for fair hearings and administrative costs.

Biennial Comparison

The Quality Assurance division 2005 biennium budget request is 4 percent higher than the 2003 biennium. Personal services cost increases of 123 percent are offset by reductions in all other expenditure categories. Personal services increases are due to vacancies in the base year and annualization of the fiscal 2003 pay plan, which more than offset the funding reduction for 2.00 FTE. Operating costs decrease because base budget and ongoing expenditures for those items are lower than the fiscal 2003 appropriations.

Figure 36
2003 Biennium Compared to 2005 Biennium
Division of Quality Assurance

Budget Item/Fund	2003 Biennium	2005 Biennium	Change	Percent of Total
FTE	109.70	107.70	2.00	
Personal Services	\$ 9,168,766	\$ 9,891,087	\$ 722,321	123.0%
Operating Costs	4,825,536	4,726,579	(98,957)	-16.9%
Equipment	55,271	34,996	(20,275)	-3.5%
Grants	724,100	708,200	(15,900)	-2.7%
Total Costs	<u>\$ 14,773,673</u>	<u>\$ 15,360,862</u>	<u>\$ 587,189</u>	100.0%
General Fund	4,084,388	4,492,258	407,870	69.5%
State Special	601,350	542,000	(59,350)	-10.1%
Federal Funds	10,087,935	10,326,604	238,669	40.6%
Total Funds	<u>\$ 14,773,673</u>	<u>\$ 15,360,862</u>	<u>\$ 587,189</u>	100.0%
Percent Increase			4.0%	

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					990,933					985,845
Vacancy Savings					(209,969)					(209,768)
Inflation/Deflation					8,678					12,628
Fixed Costs					133					538
Total Statewide Present Law Adjustments					\$789,775					\$789,243
DP 76 - TPL Lien & Estate Recovery										
	0.00	0	36,891	36,891	73,782	0.00	0	36,891	36,891	73,782
Total Other Present Law Adjustments	0.00	\$0	\$36,891	\$36,891	\$73,782	0.00	\$0	\$36,891	\$36,891	\$73,782
Grand Total All Present Law Adjustments					\$863,557					\$863,025

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 76 - TPL Lien & Estate Recovery - This request adds \$73,782 state special revenue and \$73,782 federal funds for the biennium for an increase in the contract to recover funds from the estates and property of Medicaid clients who have received nursing home services and to enhance recoveries from third party insurances. The contract, which was expanded in the third quarter of fiscal 2002 to include enhanced recoveries from third party insurance, will be annualized and increased for re-bid in January 2003.

LFD COMMENT

The legislature may wish to review the status of contract reprocurement. If the contract bids have either been reviewed or one has been accepted, the cost of this proposal may change.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Program	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 286 - FTE Reduction										
08	(2.00)	(31,828)	0	(59,267)	(91,095)	(2.00)	(31,828)	0	(59,649)	(91,477)
Total	(2.00)	(\$31,828)	\$0	(\$59,267)	(\$91,095)	(2.00)	(\$31,828)	\$0	(\$59,649)	(\$91,477)

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 286 - FTE Reduction - DP 286 - FTE Reduction- This proposal reduces 2.00 FTE for a saving of \$63,656 general fund and \$118,916 in federal funds for the biennium.

LFD COMMENT

Funding reductions for the 2.00 FTE are for two vacant positions. One position has been held vacant due to the hiring freeze imposed during fiscal 2003 and the other is vacant due to a retirement. The positions are in the surveillance and cost recovery functions and audit function. The division anticipates that it can transfer duties to other positions and absorb workload.

**LFD
ISSUE**Childcare Funding Reductions Could Reduce Licensure Workload

The Executive Budget includes reductions in funding for childcare that according to the Human and Community Services Division will result in the closure or downsizing of 600 childcare facilities. The Quality Assurance Division estimates that there are about 1,800 childcare facilities and that it inspected 592 of those facilities for licensure. If the legislature accepts the executive recommendation regarding childcare funding, it may also wish to review the impact that potential closure of childcare facilities will have on the workload in the Quality Assurance Division. The legislature may conclude that reduction of 2.00 FTE in the division are sufficient to also accommodate reductions in childcare licensing workload or it may decide that additional funding reductions for personnel are warranted.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	75.50	0.00	0.00	75.50	0.00	0.00	75.50	75.50
Personal Services	3,507,031	97,101	0	3,604,132	95,121	0	3,602,152	7,206,284
Operating Expenses	21,097,511	209,680	0	21,307,191	321,185	0	21,418,696	42,725,887
Equipment	60,151	0	0	60,151	0	0	60,151	120,302
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	229,101	0	0	229,101	0	0	229,101	458,202
Total Costs	\$24,893,794	\$306,781	\$0	\$25,200,575	\$416,306	\$0	\$25,310,100	\$50,510,675
General Fund	8,939,659	67,248	0	9,006,907	112,406	0	9,052,065	18,058,972
State/Other Special	864,332	63,282	0	927,614	72,785	0	937,117	1,864,731
Federal Special	15,089,803	176,251	0	15,266,054	231,115	0	15,320,918	30,586,972
Total Funds	\$24,893,794	\$306,781	\$0	\$25,200,575	\$416,306	\$0	\$25,310,100	\$50,510,675

Program Description

The Operations and Technology Division (OTD) provides support services for the Department of Public Health and Human Services (DPHHS). Services provided by the division include: 1) budget preparation and management services; 2) fleet and lease management and mail room services; 3) operation and maintenance of computerized systems and telecommunications; 4) development of internal computer systems; 5) oversight and management of several contracts for large automated systems; and 6) vital statistics. According to the DPHHS May 2002 Information Technology Plan, the department information technology budget is 3 percent of the agency annual budget.

OTD manages contracts for several large computer systems, whose primary user is another division within DPHHS including:

- Montana Medicaid Information System (MMIS) - primary user Health Policy and Services Division
- The Economic Assistance Management System (TEAMS) - primary user Human and Community Services Division
- System for the Enforcement and Recovery of Child Support (SEARCHS) - primary user Child Support Enforcement Division
- Child and Adult Protective Services System (CAPS) - primary user Child and Family Services Division

Program Narrative

Operations & Technology Division Major Budget Highlights	
<ul style="list-style-type: none"> ○ General Fund support decreases 1.3 percent compared to the 2003 biennium ○ Total funding increases 2.5 percent compared to the 2003 biennium ○ Present law adjustments decrease the division funding by \$505,501 general fund and \$995,304 total funds ○ Division is reorganized into two divisions ○ Continuation of spending reductions for some facilities maintenance contracts and mainframe usage costs 	

Major LFD Issues
<ul style="list-style-type: none">○ Development costs not removed from the base budget○ Expenditure recorded via an "A" accrual○ Legislative review of system development and replacement

Summary by Major Function

Figure 37 on the next page summarizes the funding of the OTD by major function. Centralized service functions, such as budget management, communications oversight, and computer technical support comprise 23 percent of division funding. Computer systems that are developed and maintained by contractors are estimated to cost the department \$37.7 million in the 2005 biennium or 75 percent of the division budget. Spending reductions, implemented during fiscal 2003, have impacted the funding for some of these major systems maintained by contractors.

Systems Development

Childcare Under the Big Sky

During the 2003 biennium the department developed and implemented the Childcare Under the Big Sky (CCUBS) system. This system was developed to replace and add functionality to the Montana Automated Childcare System (MACCS) and the Child and Adult Protective Services (CAPS) system. Prior to the development and implementation of CCUBS, MACCS preformed financial and management functions for the childcare subsidy program and CAPS acted as a childcare provider licensing system. The department indicates the core system for CCUBS was provided to the state by a contractor, at no cost, and that the Montana specific portion of the system costs \$1,775,000. Federal childcare discretionary funds were used to fund the CCUBS system.

Ongoing and Future System Development

While the budget, as submitted, does not indicate that any significant system development or replacement will occur in the 2005 biennium, the department's information technology plan indicates that the MMIS system should be replaced with a target date of July 1, 2006. The MMIS system provides automated claims processing and data collection for medical services including Medicaid services, Mental Health Services Plan, Children's Health Insurance Program and certain Indian Health Services.

One area of concern for MMIS is compliance with the Health Insurance Portability and Accountability Act (HIPAA). The administrative simplification portion of this act requires that national standards for electronic health care transactions and national identifiers for providers, health plans, and employers be established. Covered entities must comply with a number of these requirements by October 2002 or 2003, depending upon whether or not the entity sought and was granted a one-year extension. Because it is not feasible to replace MMIS at this time, the department plans to use a clearinghouse and translator to achieve compliance in the required timeframe. Entities not in compliance risk financial penalty. The department's base budget includes almost \$2.4 million (\$240,000 general fund) that was accrued in fiscal 2002 for HIPAA development.

Figure 37
Operations and Technology Division
Summary of Funding by Function

Function	Fiscal 2002 Actual		Fiscal 2004 Requested		Fiscal 2005 Requested		2005 Biennium		Percent Increase	Percent of Division
	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds		
Centralized Services										
Division Administration	\$ 176,150	\$ 431,625	\$ 165,448	\$ 405,409	\$ 168,897	\$ 413,862	\$ 334,345	\$ 819,271	-5.1%	1.6%
Budget and Analysis	228,602	445,028	254,066	494,601	253,922	494,321	507,988	988,922	11.1%	2.0%
Network and Communications Svcs.	486,790	1,044,631	484,803	1,040,366	485,231	1,041,285	970,034	2,081,651	-0.4%	4.1%
Information Systems Bureau	745,194	1,519,764	779,544	1,589,818	780,452	1,591,670	1,559,996	3,181,488	4.7%	6.3%
Internal Support	733,697	1,807,978	907,925	2,237,312	945,973	2,331,069	1,853,898	4,568,381	26.3%	9.0%
Total Centralized Services	\$ 2,370,433	\$ 5,249,026	\$ 2,591,786	\$ 5,767,506	\$ 2,634,475	\$ 5,872,207	\$ 5,226,261	\$ 11,639,713	10.9%	23.0%
							-	-		
Contracted Computer Systems										
TEAMS	\$ 2,953,510	\$ 6,825,119	\$ 2,920,815	\$ 6,788,579	\$ 2,922,666	\$ 6,792,166	\$ 5,843,481	\$ 13,580,745	-0.5%	26.9%
SEARCHS	649,563	2,759,345	676,049	2,871,856	676,049	2,871,856	1,352,098	5,743,712	4.1%	11.4%
CAPS	1,329,568	2,653,056	1,167,641	2,337,325	1,167,569	2,337,181	2,335,210	4,674,506	-11.9%	9.3%
Medstat	111,249	445,000	111,249	445,000	111,249	445,000	222,498	890,000	0.0%	1.8%
MMIS	<u>1,247,768</u>	<u>6,407,126</u>	<u>1,247,768</u>	<u>6,407,126</u>	<u>1,247,768</u>	<u>6,407,126</u>	<u>2,495,536</u>	<u>12,814,252</u>	<u>0.0%</u>	<u>25.4%</u>
Total Contracted Computer Systems	\$ 6,291,658	\$ 19,089,646	\$ 6,123,522	\$ 18,849,886	\$ 6,125,301	\$ 18,853,329	\$ 12,248,823	\$ 37,703,215	-1.2%	74.6%
Other										
Vital Statistics	\$ 277,568	\$ 555,122	\$ 291,599	\$ 583,183	\$ 292,289	\$ 584,564	\$ 583,888	\$ 1,167,747	5.2%	2.3%
Total Operations & Technology Div.	<u>\$ 8,939,659</u>	<u>\$ 24,893,794</u>	<u>\$ 9,006,907</u>	<u>\$ 25,200,575</u>	<u>\$ 9,052,065</u>	<u>\$ 25,310,100</u>	<u>\$ 18,058,972</u>	<u>\$ 50,510,675</u>	<u>1.5%</u>	<u>100.0%</u>

**LFD
ISSUE**Use of "A" accrual to record Expenditures for HIPAA Compliance

The department accrued almost \$2.4 million (\$240,000 general fund) of expenditures to develop system changes needed to achieve HIPAA compliance. These expenditures were accrued as an "A" accrual, meaning the services to be paid by this expenditure will be received after fiscal year end 2002. Because "A" accruals record expenditures in the current year for services that will be rendered in the future, this type of accrual could be used to build the base level of funding for the division. Building of the base budget could result in the department avoiding the need to present a request for additional funding to the legislature. Because the department expended fiscal 2002 funds for services that will be rendered in the future, and because this funding carries forward into the next biennium, the legislature may wish to:

- Reduce funding for each year of the 2005 biennium by the amount of expenditures accrued as an "A" accrual
- Designate a portion of the division's funding, equal to the amount of the "A" accrual, as a one-time-only appropriation and restrict the appropriation in use to a specific purpose (in this case system modification to achieve HIPAA compliance)
- Take no action

The department information technology plan recommends replacement of the Child and Adult Protective Services (CAPS) system in fiscal 2006. It indicates that planning for the new system would need to begin in July 2002, development by July 2003, testing by July 2004, and implementation in July 2005, in order, to achieve a replacement effective date of fiscal 2006. Thus, system planning and development would occur during the 2003 biennium and testing and implementation during the 2005 biennium. The department has not requested additional funding for this purpose.

**LFD
ISSUE**Major Information Technology Projects Undertaken Without Additional Funding

As discussed in the preceding paragraphs, DPHHS has undertaken development of a number of systems without requesting additional funding from the legislature. Because additional funding was not requested for these purposes the development of these new and replacement systems may not receive legislative scrutiny. The legislature may wish to:

- Amend section 2-17-526, MCA (information technology project budget summary) to specify that information technology projects (including system replacements) funded within existing appropriations, and estimated to cost over a specified threshold be subject to the statutory provisions of this section, inclusion in the information technology project budget summary
- Take no action

Program Reorganization

The department reorganized this division by removing: 1) accounting and fiscal management; 2) fiscal policy development and oversight; 3) institutional reimbursement; and 4) purchasing services to a newly created Fiscal Services Division. The department revised the organizational structure after a number of significant audit findings and recommendations were reported by the Legislative Audit Division (LAD) in the financial compliance audit of the department.

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Operations & Technology Div						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 8,939,659	35.9%	\$ 9,006,907	35.7%	\$ 9,052,065	35.8%
02381 02 Indirect Activity Prog 09	586,778	2.4%	636,030	2.5%	644,842	2.5%
02419 Vital Statistics	277,554	1.1%	291,584	1.2%	292,275	1.2%
03598 03 Indirect Activity Prog 09	<u>15,089,803</u>	<u>60.6%</u>	<u>15,266,054</u>	<u>60.6%</u>	<u>15,320,918</u>	<u>60.5%</u>
Grand Total	<u>\$24,893,794</u>	<u>100.0%</u>	<u>\$ 25,200,575</u>	<u>100.0%</u>	<u>\$ 25,310,100</u>	<u>100.0%</u>

As illustrated in the table above, 36 percent of division funding is provided by the general fund. State special revenues provide 4 percent of division funding and federal funds provide 60 percent. The costs of the division are allocated to the programs receiving services through a complex federally approved costs allocation process.

The major automated systems managed by this division are funded with the following:

- MMIS - 25 percent general fund and 75 percent federal funds
- TEAMS - 50 percent general fund and 50 percent federal funds
- CAPS - 50 percent general fund and 50 percent federal funds
- SEARCHS - 34 percent general fund and state special revenue from child support collections and 66 percent federal funds

LFD ISSUE

Child Support Enforcement Special Revenue Fund

While the SEARCHS system is eligible for funding from the state special revenue account for child support collections, this state special revenue fund is unable to support the entire state share of SEARCHS costs. Thus, some SEARCHS costs are funded by the general fund. For a complete discussion of the child support state special revenue account and related funding issues, please refer to the narrative for the Child Support Enforcement Division.

Figure 38
2003 Biennium Compared to 2005 Biennium
Operations & Technology Division

Budget Item/Fund	2003 Biennium	2005 Biennium	Change	Percent of Total
FTE	75.50	75.50	-	
Personal Services	\$ 6,643,650	\$ 7,206,284	\$ 562,634	45.9%
Operating	42,066,728	42,725,887	659,159	53.8%
Equipment	101,503	120,302	18,799	1.5%
Debt Service	<u>472,465</u>	<u>458,202</u>	<u>(14,263)</u>	<u>-1.2%</u>
Total Costs	<u>\$ 49,284,346</u>	<u>\$ 50,510,675</u>	<u>\$1,226,329</u>	<u>100.0%</u>
General Fund	\$ 18,293,553	\$ 18,058,972	\$ (234,581)	-19.1%
State Special	2,209,530	1,864,731	(344,799)	-28.1%
Federal Funds	<u>28,781,263</u>	<u>30,586,972</u>	<u>1,805,709</u>	<u>147.2%</u>
Total Funds	<u>\$ 49,284,346</u>	<u>\$ 50,510,675</u>	<u>\$1,226,329</u>	<u>100.0%</u>
Percent Increase			2.5%	

Biennial Comparison

As illustrated in Figure 38, 2005 biennium funding for the division increases 2.5 percent when compared to the 2003 biennium. General fund support for the division decreases 1.2 percent. The majority of the division's funding, 99.7 percent, supports operating costs, including contracted services for computer systems (53.8 percent), and personal services (45.9 percent).

Present Law Adjustments									
-----Fiscal 2004-----					-----Fiscal 2005-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				247,275					245,208
Vacancy Savings				(150,174)					(150,087)
Inflation/Deflation				392,065					400,380
Fixed Costs				317,424					416,300
Total Statewide Present Law Adjustments				\$806,590					\$911,801
DP 77 - TEAMS FM Contract									
0.00	(146,476)	0	(146,476)	(292,952)	0.00	(146,476)	0	(146,476)	(292,952)
DP 78 - CAPS FM Contract									
0.00	(102,041)	0	(94,192)	(196,233)	0.00	(102,041)	0	(94,192)	(196,233)
DP 81 - TEAMS Mainframe Costs Reduction									
0.00	(5,312)	0	(5,312)	(10,624)	0.00	(3,155)	0	(3,155)	(6,310)
Total Other Present Law Adjustments									
0.00	(\$253,829)	\$0	(\$245,980)	(\$499,809)	0.00	(\$251,672)	\$0	(\$243,823)	(\$495,495)
Grand Total All Present Law Adjustments				\$306,781					\$416,306

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 77 - TEAMS FM Contract - This decision package reduces funding for the TEAMS facilities maintenance contract by \$292,952 general fund and \$585,904 total funds for the biennium, to continue spending reductions ordered by the Governor in accordance with section 17-7-140, MCA. This reduction equals 5 percent of the fiscal 2002 base funding for TEAMS administration. Reduction in facility maintenance contracts means that fewer programmer hours are available to complete system programming changes to correct errors and implement mandated or desirable changes.

DP 78 - CAPS FM Contract - This decision package reduces funding for CAPS facilities maintenance contract by \$204,082 general fund and \$392,466 total funds for the biennium, to continue spending reductions ordered by the Governor in accordance with section 17-7-140, MCA. This reduction equals 7.4 percent of the fiscal 2002 base funding for CAPS. Reduction in facility maintenance contracts means that fewer programmer hours are available to complete system programming changes that are necessary to correct errors and implement mandated or desirable changes.

DP 81 - TEAMS Mainframe Costs Reduction - TEAMS mainframe costs are reduced \$8,467 general fund and \$16,934 total funds for the biennium, to continue spending reductions ordered by the Governor in accordance with section 17-7-140, MCA. This reduction equals 1 percent of the fiscal 2002 base funding for data network and mainframe processing costs for TEAMS. The department has taken the following actions to reduce TEAMS mainframe costs: 1) only reports that are essential are being produced; 2) reports are being generated less frequently; 3) actions to increase system efficiency and therefore reduce mainframe usage have been implemented; and 4) jobs are scheduled to use non-prime rate times, when possible. If these actions do not generate sufficient savings, the availability of TEAMS to users may be reduced.

Other Issues

Montana Access, Electronic Benefit Transfer (EBT) system

The department developed a system called Montana Access for the electronic transfer of benefits. Federal food stamp regulations mandated that all states have in place an electronic benefit transfer system by October 2002. Implementation of Montana Access was phased in during fiscal 2002. The system currently distributes food stamp benefits and

Temporary Assistance For Needy Families (TANF) cash assistance. Additionally, the department recently announced that child support enforcement payments would be available via this system in early 2003.

The department did not request or receive additional funding for this project from the legislature, rather it was funded within the base appropriation of the division. The fiscal 2002 base budget includes \$154,044 total funds and \$44,671 general fund for development costs. These costs have not been removed from the division budget for the 2005 biennium; rather they remain in the base budget. The division intends to use these funds to support the ongoing operation of the system during the 2005 biennium. Operational costs for the system are included in the Human and Community Services Division budget.

**LFD
ISSUE**

Because the development costs for the Montana Access system remain in the base budget for this division, the legislature may wish to:

- Remove \$44,671 general fund, \$154,044 total funds, that supported development costs from the division's 2005 biennium budget
- Move these funds to the Human and Community Services Division to support operational costs of the system
- Take no action

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	607.71	12.00	10.98	630.69	12.00	10.98	630.69	630.69
Personal Services	20,359,435	4,066,648	396,950	24,823,033	4,148,209	397,292	24,904,936	49,727,969
Operating Expenses	5,569,657	573,779	254,341	6,397,777	775,853	254,341	6,599,851	12,997,628
Equipment	53,355	0	0	53,355	0	0	53,355	106,710
Capital Outlay	0	0	0	0	0	0	0	0
Benefits & Claims	85,508,893	6,964,709	(1,607,354)	90,866,248	7,160,901	(1,609,372)	91,060,422	181,926,670
Transfers	0	0	0	0	0	0	0	0
Debt Service	11,927	0	0	11,927	0	0	11,927	23,854
Total Costs	\$111,503,267	\$11,605,136	(\$956,063)	\$122,152,340	\$12,084,963	(\$957,739)	\$122,630,491	\$244,782,831
General Fund	43,633,447	4,094,593	(798,009)	46,930,031	4,266,953	(802,236)	47,098,164	94,028,195
State/Other Special	56,025	0	0	56,025	0	0	56,025	112,050
Federal Special	67,813,795	7,510,543	(158,054)	75,166,284	7,818,010	(155,503)	75,476,302	150,642,586
Total Funds	\$111,503,267	\$11,605,136	(\$956,063)	\$122,152,340	\$12,084,963	(\$957,739)	\$122,630,491	\$244,782,831

Program Description

Disability Services Division assists Montanans with disabilities in living, working, and participating in their communities. The division provides or contracts for institutional care, residential services, home-based services to families, case management, and a variety of employment outcome-related services. These services include counseling and guidance, career training, transportation, adaptive equipment, orientation and mobility services to the blind, vocational rehabilitation training, independent living services, medical services, job placement, and supported employment. Disability Services Division is responsible for medical adjudication of all claims for Social Security Disability and Supplemental Security Income. The division is responsible for two state institutions Eastmont Human Services Center (EHSC or Eastmont) in Glendive and Montana Developmental Center (MDC) in Boulder. The Developmental Disabilities Planning and Advisory Council (DDPAC) is administratively attached.

Vocational rehabilitation serves individuals with orthopedic, mental, visual, hearing, brain injury, and other disabilities. Developmentally disabled includes individuals with mental retardation, epilepsy, autism, or other neurological conditions that require treatment similar to those required by someone with mental retardation. The developmental disability must have originated before age 18 and have resulted in a substantial handicap for indefinite duration.

Statutory Title 53, MCA, 29 U.S.C. 721 et. seq., 29 U.S.C. 796, et. seq., 29 U.S.C. 774, 29 U.S.C. 777b, 29 U.S.C. 2201 et. seq., 42 U.S.C. 75, 6602, 72 U.S.C. 1300, 42 CFR 441.302(b), 42 CFR 441.302(g), 45 CFR 74.62, and 34 CRF Part 303

Program Narrative

Disability Services Division Major Budget Highlights	
<ul style="list-style-type: none"> ○ General fund supporting this division increases from \$86.3 million to \$94.0 million (8.9 percent) and total funds increase from \$225.3 million to \$244.8 million (8.6 percent) above the 2003 biennium level ○ General fund support is reduced or eliminated for the visual services medical program, extended employment services, independent living services, donated dental services, community supports, provider rates, and 9.02 FTE ○ Present law adjustments include increases to annualize costs of disability services, Montana Developmental Center, Eastern Montana 	

<p>Human Services Center, disability determination services, and provider rate increases</p> <ul style="list-style-type: none"> ○ New proposals include offsetting adjustments increasing general fund to maintain services at the current level and reducing general fund requirements due to the refinancing of some costs with Medicaid funds
Major LFD Issues
<ul style="list-style-type: none"> ○ Refinancing efforts <ul style="list-style-type: none"> • Failure to comply with Section 17-2-108, MCA requiring the expenditure of nongeneral fund sources prior to expenditure of general fund appropriations • Service expansion proposed • Service and rate reductions may not be implemented • Misstatement of federal funds in some decision packages ○ Medicaid certification review ○ Center for Medicaid and Medicare reviews and corrective action plan status ○ Respite wage, hour and labor issues ○ Institutional populations

Figure 39 illustrates the Disability Services Division funding by component including: Vocational Rehabilitation Services, Institutional Developmental Disability Services, Community Developmental Disability Programs, and other programs. The division's 2005 biennium budget is allocated 12 percent for Vocational Rehabilitation services, 25 percent for institutional services for developmentally disabled, 59 percent for community services for developmentally disabled and 4 percent for other services (primarily disability determination services). Because services for the developmentally disabled comprise 84 percent of the division's budget, the following narrative focuses on issues in this program area.

Figure 39
Disability Services Division
Summary of Major Program Functions with Funding

Function	Fiscal 2002 - Base Budget				Fiscal 2004 - Requested				Fiscal 2005 - Requested				Percent of Div. Total
	General Fund	State Special	Federal	Total Funds	General Fund	State Special	Federal	Total Funds	General Fund	State Special	Federal	Total Funds	
Vocational Rehabilitation													
Voc. Rehab. Administration	\$ 711,886	\$ -	\$ 2,631,335	\$ 3,343,221	\$ 764,813	\$ -	\$ 2,825,802	\$ 3,590,615	\$ 766,411	\$ -	\$ 2,831,704	\$ 3,598,115	2.9%
Voc. Rehab. Benefits	1,534,830	-	5,671,023	7,205,853	1,621,876	-	5,880,825	7,502,701	1,621,876	-	5,880,825	7,502,701	6.1%
Visual Services Medical Benefits	84,834	-	-	84,834	-	-	-	-	-	-	-	-	0.0%
Independent Living - Admim.	401	-	111,663	112,064	401	-	106,137	106,538	401	-	106,017	106,418	0.1%
Independent Living - Benefits	1,585	-	190,529	192,114	1,585	-	190,529	192,114	1,585	-	190,529	192,114	0.2%
Sec. 110 Blind Low Vision Administration	135,508	-	500,922	636,430	156,915	-	579,776	736,691	156,756	-	579,188	735,944	0.6%
Sec. 110 Blind Low Vision Benefits	170,797	-	631,098	801,895	170,797	-	631,098	801,895	170,797	-	631,098	801,895	0.7%
In Service Training - Administration	4,326	-	38,908	43,234	4,324	-	38,916	43,240	4,326	-	38,936	43,262	0.0%
Supported Employment	-	-	283,085	283,085	-	-	283,085	283,085	-	-	283,085	283,085	0.2%
Independent Living Part B Benefits	256,723	-	242,235	498,958	27,957	-	242,235	270,192	27,957	-	242,235	270,192	0.2%
Independent Living Part B Administration	5,016	-	46,682	51,698	5,319	-	47,874	53,193	5,309	-	47,784	53,093	0.0%
Migrant Worker Benefits	-	-	141,388	141,388	-	-	141,388	141,388	-	-	141,388	141,388	0.1%
Extended Employment Benefits	833,775	-	-	833,775	563,136	-	-	563,136	563,136	-	-	563,136	0.5%
MonTech Benefits	-	-	345,559	345,559	-	-	345,559	345,559	-	-	345,559	345,559	0.3%
Social Security Benefits	-	-	231,699	231,699	-	-	231,699	231,699	-	-	231,699	231,699	0.2%
Social Security Administration	(13)	-	(47)	(60)	-	-	-	-	-	-	-	-	0.0%
Subtotal Vocational Rehabilitation	3,739,668	-	11,066,079	14,805,747	3,317,123	-	11,544,923	14,862,046	3,318,554	-	11,550,047	14,868,601	12.1%
Percent of Total	25.3%	0.0%	74.7%	100.0%	22.3%	0.0%	77.7%	100.0%	22.3%	0.0%	77.7%	100.0%	
Institutions													
Montana Development Center	\$ 10,411,251	\$ 49,575	\$ -	\$ 10,460,826	\$ 14,125,772	\$ 49,575	\$ -	\$ 14,175,347	\$ 14,194,962	\$ 49,575	\$ -	\$ 14,244,537	11.6%
Eastern Montana Human Service Center	3,615,746	584	-	3,616,330	4,175,761	584	-	4,176,345	4,204,189	584	-	4,204,773	
MDC and Eastmont Medicaid	-	-	10,931,820	10,931,820	-	-	12,362,057	12,362,057	-	-	12,549,577	12,549,577	10.2%
Subtotal Institutions	14,026,997	50,159	10,931,820	25,008,976	18,301,533	50,159	12,362,057	30,713,749	18,399,151	50,159	12,549,577	30,998,887	25.3%
Percent of Total	56.1%	0.2%	43.7%	100.0%	59.6%	0.2%	40.2%	100.0%	59.4%	0.2%	40.5%	100.0%	
Developmental Disabilities - Community													
Administration	\$ 800,024	\$ 5,866	\$ 1,335,983	\$ 2,141,873	\$ 897,609	\$ 5,866	\$ 1,495,070	\$ 2,398,545	\$ 900,846	\$ 5,866	\$ 1,500,353	\$ 2,407,065	2.0%
Targeted Case Management Administration	591,614	-	801,642	1,393,256	624,096	-	842,749	1,466,845	622,464	-	842,156	1,464,620	1.2%
Medicaid Benefits	11,393,658	-	30,611,738	42,005,396	11,485,578	-	31,008,815	42,494,393	11,551,009	-	30,941,366	42,492,375	34.7%
Part C and General Fund Benefits	4,185,169	-	1,678,520	5,863,689	4,324,974	-	1,678,520	6,003,494	4,324,974	-	1,678,520	6,003,494	4.9%
General Fund, Title XX, Other Benefits	8,524,336	-	6,037,506	14,561,842	7,633,199	-	10,478,806	18,112,005	7,633,199	-	10,478,806	18,112,005	14.8%
Targeted Case Management Benefits	346,981	-	932,779	1,279,760	345,919	-	933,841	1,279,760	347,967	-	931,793	1,279,760	1.0%
Subtotal Developmental Disabilities-Comm.	25,841,782	5,866	41,398,168	67,245,816	25,311,375	5,866	46,437,801	71,755,042	25,380,459	5,866	46,372,994	71,759,319	58.5%
Percent of Total	38.4%	0.0%	61.6%	100.0%	35.3%	0.0%	64.7%	100.0%	35.4%	0.0%	64.6%	100.0%	
Other													
DDPAC	\$ 25,000	\$ -	\$ 381,530	\$ 406,530	\$ -	\$ -	\$ 415,435	\$ 415,435	\$ -	\$ -	\$ 415,182	\$ 415,182	0.3%
Disability Determination Services	-	-	4,036,198	4,036,198	-	-	4,406,068	4,406,068	-	-	4,588,502	4,588,502	3.7%
Subtotal Other	\$ 25,000	\$ -	\$ 4,417,728	\$ 4,442,728	\$ -	\$ -	\$ 4,821,503	\$ 4,821,503	\$ -	\$ -	\$ 5,003,684	\$ 5,003,684	4.1%
Percent of Total	0.6%	0.0%	99.4%	100.0%	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	100.0%	100.0%	
Total Disability Services Division	\$ 43,633,447	\$ 56,025	\$ 67,813,795	\$ 111,503,267	\$ 46,930,031	\$ 56,025	\$ 75,166,284	\$ 122,152,340	\$ 47,098,164	\$ 56,025	\$ 75,476,302	\$ 122,630,491	100.0%
Percent of Total	39.1%	0.1%	60.8%	100.0%	38.4%	0.0%	61.5%	100.0%	38.4%	0.0%	61.5%	100.0%	

Service Elimination and Reductions

The Executive Budget proposes reductions or elimination of the following program resources:

- Visual Services Medical
- Extended Employment Benefits
- Independent Living
- Donated Dental
- FTE
- Community Supports and Supported Living

Each decision package description (included at the end of this document) provides information on the proposed reduction and the number of individuals impacted by the reduction. Legislative Fiscal Division issues and comments follow the description of the decision package.

Refinancing

In recent years refinancing, or changing the source of funding for services from general fund to non-general fund sources (often federal sources) has received a great deal of emphasis. The Developmental Disabilities Program (DDP) has engaged in refinancing efforts for at least the past two biennia. Within DDP, refinancing has generally taken the form of converting general fund expenditures to expenditures funded with federal Medicaid funds that require about a 30 percent state match. The 2001 legislature directed the DDP to refinance services, if possible, and allowed the DDP to use general fund made available due to refinancing to:

- Reduce the waiting list
- Improve wages paid by community providers to direct care workers
- Provide a provider rate increase to community services providers
- Fund existing plans of care for individuals waiting for residential services

The DDP did refinance some services during the 2003 biennium and used general fund available from refinancing to move some individuals from MDC to the community and to provide a provider rate increase.

While the actions taken by the DDP comply with legislative direction, subsequent events, including the change in the financial position of the department and state that resulted in significant services reductions in some publicly funded systems, and the division's request for a supplemental appropriation for MDC, were not envisioned. These and other changes, coupled with the DDP plans to pursue additional refinancing during the 2003 biennium, make review of the previous policy and establishment of policies for the 2003 biennium necessary.

The Legislative Fiscal Division (LFD) has identified a number of refinancing and funding issues within the Executive Budget for DDP. In addition to the issues discussed here, additional discussion of refinancing is included in the agency narrative.

LFD ISSUE

Statutory Compliance: Use of General Fund to Support Medicaid Eligible Recipients and Services

It is legislative staff understanding that historically DDP structured contracts with congregate living providers to include about 15-20 percent general fund, and services for some individuals who were Medicaid eligible were billed to the general fund rather than to federal Medicaid funds. Because of the favorable Medicaid match rate (about 70 percent is paid by federal funds) this means that the division expended more general fund than necessary to provide some services. The general fund saved by billing Medicaid could have been used to enhance services, reduce the waiting list, or alleviate budget shortfalls within the department. The division indicated that effective December 2002, services for all clients living in congregate living services that are Medicaid eligible (have a Medicaid card) will be billed to Medicaid. In addition to the extra resources used, the DDP practice of billing the general fund rather than Medicaid appears to violate provisions of Section 17-2-108, MCA, which requires the expenditure of nongeneral fund money whenever possible before using general fund appropriations. The Executive Budget includes a decision package

**LFD
ISSUE
(Cont.)**

reducing general fund support and increasing federal funds for the division by \$1.8 million per year due to this change in practice.

The Medicaid program typically limits the time period for claiming reimbursement for services provided in previous months. Often this limit is one to two years. Legislative staff has requested the division determine what time period for retroactive billing is applicable to congregate living services. Additional general fund savings may be possible if retroactive billing of Medicaid for services paid by the general fund occurs. If general fund savings can be achieved through retroactive billing of Medicaid the legislature may wish to specify:

- That general fund savings due to retroactive billing be used to offset the supplemental request for MDC and other DPHHS programs.
- That general fund made available through retroactive billing be used to offset program reductions and eliminations within this division and the agency, and specify an agency-wide priority for reinstatement of program reductions and eliminations.
- That general fund made available through retroactive billing must revert to the general fund.

Additionally, the legislature may wish to ask the Legislative Audit Division to conduct a review, including verification of funding for a random sample of clients served by the DDP to determine if further general fund savings might be achieved by correcting inappropriate or inaccurate charging of expenditures to the general fund rather than federal funds.

**LFD
ISSUE**Service Expansion

The division requests an increase in federal funding (\$8.1 million for the biennium) and indicates that this increase in federal authority would not increase future general fund commitments. However, the division plans to use the general fund made available due to refinancing efforts and the additional federal funds to expand and strengthen services. The expansion and strengthening of services is likely to result in future increases in general fund requirements. Actions that increase the volume of services or the reimbursement for services will likely increase the size of future present law adjustments necessary to maintain the program because a larger (expanded) program will be in place.

The legislature may wish to specify:

- Whether or not general fund made available through refinancing may be used within the DDP to:
 - Expand the program
 - Increase provider rates (during the 2003 biennium DDP providers received a 2.0 percent provider rate increase in fiscal 2003, and 9.3 and 5.4 percent increases in fiscal 2002 and 2003, respectively, for direct care worker wage parity)
 - Support increases in expenditures that are of an ongoing nature
- That general fund made available through refinancing be used to offset program reductions and elimination within this division and the agency, and specify an agency-wide priority for reinstatement of program reductions and eliminations
- That general fund made available through refinancing must revert to the general fund. To implement this action, the legislature may wish to decrease general fund appropriations for the division.

**LFD
ISSUE**Service and Rate Reductions may not be Implemented

The Executive Budget includes two decision packages that propose reductions in services and Medicaid provider rates, totaling \$3.2 million general fund for the biennium. However, the division indicates it will seek to create general fund savings by refinancing, rather than implement these two reductions. The department's plan to refinance and continue to provide services and reimburse providers at the fiscal 2003 level poses a different decision for the legislature than represented by the decision packages as included in the budget. The decision packages included in the budget indicate that services will be reduced and provider rates decreased, not that refinancing may be possible so that these reductions are avoided.

Additionally, the division indicates that the amount and inclusion of the Medicaid provider rate reduction in the budget is based upon the additional savings that were needed so that the agency met its targets. At this time, DDP does not have a plan for implementation of a provider rate reduction.

The legislature may wish to:

- Specify whether or not general fund made available through refinancing may be used to maintain these services, rather than the service being eliminated
- Specify that these services are eliminated and for what purpose the general fund made available through refinancing is used. The legislature could choose to use these general fund savings to:
 - Reinstate service reductions elsewhere within DPHHS
 - Lower the level of general fund support for the department
- Specify whether or not general fund savings created by refinancing may be used to maintain provider rates rather than a provider rate reduction being implemented
- Specify that provider rates be reduced and for what purpose the general fund made available through refinancing is used. The legislature could choose to use these general fund savings to:
 - Reinstate service reductions elsewhere within DPHHS
 - Lower the level of general fund support for the department

**LFD
ISSUE**Misstatement of Federal Funds Applicable to Some Decision Packages

Several decision packages included in the Executive Budget do not accurately reflect the funding being sought. For example, federal funds obtained due to refinancing are overstated in some decision packages and understated in other decision packages. Additionally, a decision package requesting additional general fund to replace lost federal funds does not reflect a reduction in federal funds. Because the appropriation level of federal funds may impact application of some appropriation statutes (please refer to the agency narrative for a discussion of excess federal funds and appropriation statutes), the legislature may wish to:

- Adjust the amount of federal funds included in some decision packages to accurately reflect the action proposed in the decision package. Decision packages which appear to contain inaccurate amounts of federal funds include:
 - DP 89 - DDP Federal Authority - requests \$8.1 million federal funds for the biennium
 - DP 82 - DD Funding at Current Level of Services - requests general fund increase due to loss of federal funds but no federal funds decrease is included in this decision package
 - DP 296 - DDP General Fund Reduction due to Refinancing - reduces general fund and increases federal funds \$3.6 million for the biennium due to refinancing with Medicaid - this one-for-one funding switch does not properly reflect the increase in federal Medicaid funds at a 30/70 general fund/federal fund matching ratio
- Approve federal funding as included in the decision packages

**LFD
ISSUE**Refinancing Children's Services

It may be possible for the division to create general fund savings by refinancing some children's services. The division indicated it is reviewing the possibility of obtaining a Medicaid waiver for the provision of some children's services known as Family Education and Support Services (FES). Additionally, legislative staff believe it may be possible to create a program within the Children's Health Insurance Program (CHIP) as a refinancing mechanism. Division staff indicated that they intend to pursue a Medicaid waiver as a preferred refinancing strategy and are in the process of determining how many children receiving FES services are already Medicaid eligible. Division staff think that a Medicaid waiver is preferable to CHIP, because families receiving FES may not be CHIP eligible due to the income limitations of the CHIP program. The division is also researching options to implement a co-payment requirement for some service recipients, including children's services.

Federal Review of Waiver

Montana operates a Human and Community Based Services Waiver (HCBS) under federal Medicaid regulations. A waiver allows the state to waive certain Medicaid provisions and in this case, to provide with federal Medicaid funds, community based services for individuals otherwise eligible for institutional services.

In the fall of 2000 the Centers for Medicare and Medicaid (CMS, formerly known as HCFA) conducted a review of Montana's Medicaid waiver for HCBS for developmentally disabled individuals. The findings of this review included:

- The provider selection process utilized to select waiver service providers violates freedom of choice among providers, and prohibited all qualified providers from participating in the system because only a predetermined number of providers were awarded contracts
- Situations that may compromise the health and safety of clients were observed
- The waiver amendment for services the division refers to as "community supports" had not been approved by CMS, even though the division had begun providing services and billing Medicaid under this waiver amendment
- Direction that the division discontinue expansion of waiver services for adults was given. This restriction has since been lifted.

The department concurred with the majority of the CMS findings and proposed a corrective action plan. The final federal report, federal comments, and acceptance of the corrective action plan were dated April 30, 2001. During the 2001-2003 interim, the DDP has been implementing various segments of the corrective action plan approved by CMS. One of the areas where corrective action is ongoing is related to the selection of providers and provider reimbursement. CMS found that the provider selection process used by DDP violated the freedom of choice provision of Medicaid and prohibited all qualified providers from participating in the system. The department must develop a process that permits all qualified providers to participate in the waiver, and allows recipients "portability" of benefits, or the ability to choose among qualified providers. The DDP is currently working to develop a provider reimbursement methodology that supports "portability" and freedom of choice among providers. It is legislative staff understanding that the DDP hopes to have this new system of reimbursement and portability in place by the end of fiscal 2003. However, the DDP is currently uncertain if the computer programming needed to support this change will be completed in adequate time to implement new processes by June 2003.

**LFD
COMMENT**

The legislature may wish to have the division update the appropriations subcommittee regarding implementation of changes included in the HCBS waiver corrective action plan.

Respite Payment and Wage and Hour Laws

During the course of CMS review of another HCBS waiver for developmentally disabled, CMS identified a violation of Medicaid law and regulation regarding payment of respite care providers. Under the existing system, there were instances where a family paid the respite care provider and then the family was reimbursed by Medicaid through a contracted entity. CMS found this process violates Medicaid law prohibiting direct payment to consumers. As the department implemented actions to comply with Medicaid law and regulation, a number of wage and hour concerns were identified including:

- Respite care services were not paid at minimum wage rates
- If payment was at minimum wage rates, the amount of respite that could be funded would be significantly decreased
- Contracted providers were concerned about acting as the pass through agent and thus entering an employer-employee relationship with all respite care providers

As a result of research and investigation completed regarding the DDP payment of respite care providers, the Children, Families, Health and Human Services legislative interim committee requested a bill be drafted. This bill draft, LC0442:

- Exempts providers of companionship services or respite care for the aged and infirm from wage and hour law
- Exempts providers of companionship services or respite care for the aged and infirm from unemployment insurance and workers' compensation, if the person providing the service is employed directly by the family or legal guardian

While this legislation does not resolve the specific issue identified by CMS (Medicaid payments to consumers), it does clarify some statutory provisions of wage and hour law and its applicability to respite care providers.

The division resolved the Medicaid payment issue by requiring respite care workers be employees of the corporation receiving reimbursement for respite care services and be paid minimum wage.

Medicaid Certification Review

The Medicaid certification review, completed in March 2002, identified issues related to client and staff safety. In response to these survey findings, MDC opened a six bed secure care unit, hired an incident investigator, contracted for independent incident investigations, and implemented processes and procedures to provide for reporting and investigation of potential client-client, client-staff and client self-abuse. Had the division not taken corrective action to remedy the findings of the certification review, MDC's Medicaid certification could have been withdrawn. If MDC fails to meet Medicaid certification requirements the facility is not eligible to receive Medicaid reimbursements. Medicaid reimbursements for services rendered at MDC are used first to repay bonds and the balance is deposited to the general fund. About \$9 million per year from Medicaid reimbursements for MDC services is deposited to the general fund.

Institutional Population

Population Greater than 88 Individuals

For the 2003 biennium the legislature in HB 2 stated that the combined population at the two institutions (Eastmont and MDC) may not exceed 88 individuals at the end of the 2003 biennium. The legislature further stated that if the DSD had a population of more than 88 individuals at the two institutions at the end of the 2003 biennium, the division shall certify that a community residential setting was not available for the individuals remaining in the two institutions. The legislature appropriated \$1.4 million annual funding as one-time-only, with the intention that it be moved from the budget for the two institutions to community services to ensure that the movement of individuals from institutional to community settings would be reviewed by the subsequent legislature. Figure 40 summarizes the costs and population at the two state institutions for the developmentally disabled and provides a comparison of fiscal 2000 and 2002 actual expenditures to the proposed budget for fiscal 2004 and 2005.

During the 2003 biennium, the population at the two institutions has been stable, averaging 125 (92 at MDC and 33 at Eastmont). The department does not expect to decrease the population to 88 by the end of the biennium as specified in HB 2. However, the division has plans to utilize general fund savings created by refinancing efforts to move 18 individuals from the two institutions to community settings by the end of fiscal 2003, and five non-seriously developmentally disabled individuals were moved from MDC in fiscal 2002.

Population Mix

During the last legislative session, department staff began informing the legislature that the population mix at MDC was changing. Staff indicated that a portion of the population at MDC was exhibiting more physically aggressive and criminal type behaviors. During the 2003 biennium, division staff reported to the Children, Families, Health and Human Services Interim (CFHHS) committee that MDC had received its first criminal commitment. That is, for the first time an individual was committed to MDC via criminal statutes and for a specified duration.

Legislative staff reviewed the court order that utilized criminal commitment statutes. Per the CFHHS committee's request, legislation has been drafted clarifying the criminal statutes and their application to persons with developmental disabilities. LC0443 proposes clarifications to relevant criminal statutes and provides that if the court finds the individual unfit to proceed in the criminal court system, criminal charges are to be dismissed and the prosecutor shall pursue commitment via the civil commitment process.

It appears that the population at MDC is becoming similar to that of the Montana State Hospital in that MDC is beginning to house a portion of the population that is forensic in nature. This change in population mix creates new challenges and concerns, particularly when the vulnerable nature of some MDC residents is considered. It is likely that this change in population mix is the genesis of changes made at MDC as a result of findings of the Medicaid certification review.

Figure 40

Disability Services Division Summary of Institutional Costs

Item	Actual Fiscal 2000	Actual Fiscal 2002*	Requested Fiscal 2004	Requested Fiscal 2005
Montana Developmental Center				
FTE	296.6	296.64	323.12	323.12
Personal Svcs	10,062,574	10,766,777	12,184,873	12,240,675
All Other*	1,256,259	1,510,746	1,990,474	2,003,862
Total	<u>\$ 11,318,833</u>	<u>\$ 12,277,523</u>	<u>\$ 14,175,347</u>	<u>\$ 14,244,537</u>
Population	84	92	92	92
Costs Per Person	\$ 134,748	\$ 133,451	\$ 154,080	\$ 154,832
Costs Per Day	\$ 369	\$ 366	\$ 422	\$ 424
Percent Increase			15.46%	0.49%
Eastern Montana Human Services Center				
FTE	97.43	97.47	97.47	97.47
Personal Svcs	3,263,051	3,151,271	3,595,308	3,625,156
All Other	501,193	465,059	581,037	579,617
Total	<u>\$ 3,764,244</u>	<u>\$ 3,616,330</u>	<u>\$ 4,176,345</u>	<u>\$ 4,204,773</u>
Population	47	33	33	33
Costs Per Person	\$ 80,090	\$ 109,586	\$ 126,556	\$ 127,417
Costs Per Day	\$ 219	\$ 300	\$ 347	\$ 349
Percent Increase			15.49%	0.68%
Combined				
FTE	394.03	394.11	420.59	420.59
Personal Svcs	13,325,625	13,918,048	15,780,181	15,865,831
All Other	<u>1,757,452</u>	<u>1,975,805</u>	<u>2,571,511</u>	<u>2,583,479</u>
Total	<u>\$ 15,083,077</u>	<u>\$ 15,893,853</u>	<u>\$ 18,351,692</u>	<u>\$ 18,449,310</u>
Population	131	125	125	125
Costs Per Person	\$ 115,138	\$ 127,151	\$ 146,814	\$ 147,594
Costs Per Day	\$ 315	\$ 348	\$ 402	\$ 404
Percent Increase			15.46%	0.53%

Notes:

*Does not include bond repayment .

Fiscal 2002 amount is base budget, plus expenditures considered one-time-only, and supplemental appropriation transfer from second year of the biennium to the first year of the biennium. FTE for fiscal 2002 does not include FTE supported by one-time-only appropriation.

LFD COMMENT

The legislature may wish to have the division provide information regarding how the division plans to deal with the changes in population characteristics at MDC.

Pending Legal Actions

Currently, there are two legal actions pending that seek changes and increased funding for services for the developmentally disabled.

MAP Lawsuit

In 1996 the Montana Advocacy Program (MAP) filed the Travis D. class action lawsuit. Defendants in the Travis D. lawsuit include the state of Montana, Montana Developmental Center, Eastmont Human Services Center, and key personnel. The legal basis for this lawsuit includes the integration mandate of the Americans with Disabilities Act (ADA), equal protection rights of the 14th amendment, the Social Security Act (Medicaid), and the right to due process. The Montana Advocacy Program seeks to protect the civil rights of individuals with disabilities, and seeks the provision of appropriate community services for individuals with disabilities. The Montana Advocacy Program put this lawsuit on hold while participating in the Developmental Disabilities Future Study group during the 1999 - 2001 interim. Once the study was complete the lawsuit was taken off hold and has been proceeding, but remains unresolved.

MAIDS Lawsuit

In September 2002, the Montana Association for Independent Disability Services, Inc. (MAIDS) and several individuals with developmental disabilities filed suit. Defendants in the MAIDS lawsuit include the Department of Public Health and Human Services and key department and state personnel. MAIDS is a non-profit organization comprised of entities providing community-based services to individuals with developmental disabilities. This suit alleges that the disparity in wages and benefits paid to employees of community based providers verses the wages and benefits paid to employees of state institutions has resulted in irreparable and unnecessary harm to the plaintiffs. The plaintiffs allege that several statutory and constitutional provisions have been violated and seek: 1) to have the wage and benefit disparity between employees of state run institutions and community providers eliminated, and 2) to have uniform Medicaid reimbursement rates established.

Potential Costs

While it is probably not feasible to calculate the costs to the state of the additional services and payments that might be necessitated if the plaintiffs prevail, it is likely that any actions the state would be required to implement under court order would likely cost millions of dollars. In fiscal 2002 Montana spent \$67.2 million (\$25.8 million general fund) to provide community-based services to 3,993 people, an expenditure average of \$16,840 per person. The division estimates that during the 2005 biennium, 724 individuals will not be receiving any services and will be waiting for services. If these 724 are served at an average cost of \$16,840, it would cost \$12.2 million. Additionally, the division estimates that 830 individuals will be receiving some services and waiting to receive more services. If these 830 individuals are served at a cost of \$10,000 per person, it would cost \$8.3 million. Thus, over \$20 million additional funding would be needed just to serve individuals on waiting lists without considering: 1) the additional costs to provide services in the community rather than institutions; and 2) the costs of increasing direct care worker wages.

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Disability Services Division						
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005
01100 General Fund	\$ 43,633,447	39.1%	\$ 46,930,031	38.4%	\$ 47,098,164	38.4%
02035 Mdc Vocational	47,642	0.0%	47,642	0.0%	47,642	0.0%
02475 Ddp Conference	5,866	0.0%	5,866	0.0%	5,866	0.0%
02923 Donated Funds-Mdc	1,933	0.0%	1,933	0.0%	1,933	0.0%
02925 Donations-Eastmont	584	0.0%	584	0.0%	584	0.0%
03024 Soc Sec - Trust Funds	75,547	0.1%	231,699	0.2%	231,699	0.2%
03553 84.128 - Handicapped Migrat 90	141,388	0.1%	141,388	0.1%	141,388	0.1%
03554 84.169 - Independent Living 90	288,917	0.3%	290,109	0.2%	290,019	0.2%
03555 84.177 - Indep Living Old Blin	302,192	0.3%	296,666	0.2%	296,546	0.2%
03556 84.181 - Part H - Early Interv	1,678,520	1.5%	1,678,520	1.4%	1,678,520	1.4%
03557 84.187 - Vic Sup Employment	283,085	0.3%	283,085	0.2%	283,085	0.2%
03558 84.224 - Mon Tech 100%	345,559	0.3%	345,559	0.3%	345,559	0.3%
03559 84.265 - In Service Training 9	38,908	0.0%	38,916	0.0%	38,936	0.0%
03577 93.630 - Ddpac Adm	381,530	0.3%	415,435	0.3%	415,182	0.3%
03579 93.667 - Ssbj - Benefits	5,964,076	5.3%	5,964,076	4.9%	5,964,076	4.9%
03580 93.778 - Med Adm 50%	73,430	0.1%	73,430	0.1%	73,430	0.1%
03583 93.778 - Med Ben Fmap	42,476,337	38.1%	48,746,013	39.9%	48,864,036	39.8%
03588 93.802 - Disabil Deter Adm 100	4,036,198	3.6%	4,406,068	3.6%	4,588,502	3.7%
03599 03 Indirect Activity Prog 10	2,137,625	1.9%	2,337,819	1.9%	2,342,509	1.9%
03604 84.126 - Rehab-Sec110 A 78.7%	<u>9,590,483</u>	<u>8.6%</u>	<u>9,917,501</u>	<u>8.1%</u>	<u>9,922,815</u>	<u>8.1%</u>
Grand Total	<u>\$ 111,503,267</u>	<u>100.0%</u>	<u>\$ 122,152,340</u>	<u>100.0%</u>	<u>\$ 122,630,491</u>	<u>100.0%</u>

As illustrated in the table above, 2005 biennium annual general fund support for the division increases more than \$3 million above the fiscal 2002 base. During fiscal 2002, 39 percent of the division's funding came from the general fund. The proposed budget provides more than 38 percent of the funding for the division from the general fund. The general fund support as a percentage of total funds decreases slightly due to increases in the federal funds. As stated, the division has implemented a number of "refinancing" strategies to maximize the recovery of federal funds. The division is also supported by a small amount of state special revenue. However, the largest share of the division's funding, almost 62 percent, comes from federal sources. The largest sources of federal funds and their funding ratio of state to federal funds are the following:

- Medicaid provides almost 40 percent of the division's funding, benefits are matched at the Federal Medical Assistance Participation rate (FMAP) of about 30 percent state funds and 70 percent federal funds, and administrative costs are shared equally between state and federal funds
- Vocational Rehabilitation, Section 110 provides 8 percent of the division's funding, and is 19 percent state funds to 81 percent federal funds
- Title XX, Social Services Block Grant provides 5 percent of the division's funding and has no state match requirement
- Disability Determination provides almost 4 percent of the division's funding and has no state match requirement

Figure 41
2003 Biennium Compared to 2005 Biennium
Disability Services Division

Budget Item/Fund	2003 Biennium	2005 Biennium	Change	Percent of Total
FTE	619.71	630.69	10.98	
Personal Services	\$ 41,912,076	\$ 49,727,969	\$ 7,815,893	40.2%
Operating	10,617,409	12,997,628	2,380,219	12.2%
Equipment	88,402	106,710	18,308	0.1%
Benefits/Claims	172,658,705	181,926,670	9,267,965	47.7%
Debt Service	67,724	23,854	(43,870)	-0.2%
Total Costs	<u>\$ 225,344,316</u>	<u>\$ 244,782,831</u>	<u>\$ 19,438,515</u>	<u>100.0%</u>
General Fund	\$ 86,332,606	\$ 94,028,195	\$ 7,695,589	39.6%
State Special	2,118,578	112,050	(2,006,528)	-10.3%
Federal Funds	<u>136,893,132</u>	<u>150,642,586</u>	<u>13,749,454</u>	<u>70.7%</u>
Total Funds	<u>\$ 225,344,316</u>	<u>\$ 244,782,831</u>	<u>\$ 19,438,515</u>	<u>100.0%</u>
Percent Increase			8.6%	

Biennial Comparison

As illustrated in Figure 41, 2005 biennium funding for the division increases 8.6 percent when compared to the 2003 biennium. General fund support for the division increases \$7.7 million or 8.9 percent. The majority of the division's funding supports benefits and claims paid on behalf of individuals, and personal services, which represent 47.7 and 40.2 percent of the division's funding, respectively.

Present Law Adjustments										
-----Fiscal 2004-----					-----Fiscal 2005-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				3,671,575						3,746,880
Vacancy Savings				(961,244)						(964,245)
Inflation/Deflation				23,460						29,493
Fixed Costs				258,231						275,655
Total Statewide Present Law Adjustments				\$2,992,022						\$3,087,783
DP 86 - Maintain MDC Certification	12.00	368,921	0	0	368,921	12.00	369,111	0	0	369,111
DP 87 - DDP Change in FMAP	0.00	(38,247)	0	38,247	0	0.00	31,538	0	(31,538)	0
DP 89 - DDP Federal Authority	0.00	0	0	4,050,000	4,050,000	0.00	0	0	4,050,000	4,050,000
DP 90 - DSD Base Adjustments	0.00	23,560	0	60,764	84,324	0.00	27,185	0	69,997	97,182
DP 91 - MDC Base Adjustments	0.00	671,110	0	0	671,110	0.00	671,110	0	0	671,110
DP 92 - EHSC Base Adjustments	0.00	311,224	0	0	311,224	0.00	311,565	0	0	311,565
DP 93 - Annualize Tuition Increases	0.00	28,880	0	106,705	135,585	0.00	28,880	0	106,705	135,585
DP 94 - Annualize DDP Wage Parity	0.00	894,580	0	867,639	1,762,219	0.00	896,483	0	865,736	1,762,219
DP 96 - Annualize VR Provider Rate Increase	0.00	58,149	0	103,114	161,263	0.00	58,149	0	103,114	161,263
DP 97 - DDS Base Adjustments	0.00	0	0	247,470	247,470	0.00	0	0	430,627	430,627
DP 98 - MDC and EHSC Medicaid Authority	0.00	0	0	1,430,237	1,430,237	0.00	0	0	1,617,757	1,617,757
DP 290 - Eliminate Visual Services Medical	0.00	(84,834)	0	0	(84,834)	0.00	(84,834)	0	0	(84,834)
DP 291 - Reduce Extended Employment Benefits	0.00	(270,639)	0	0	(270,639)	0.00	(270,639)	0	0	(270,639)
DP 292 - Eliminate Independent Living Parity	0.00	(228,766)	0	0	(228,766)	0.00	(228,766)	0	0	(228,766)
DP 293 - Eliminate Donated Dental	0.00	(25,000)	0	0	(25,000)	0.00	(25,000)	0	0	(25,000)
Total Other Present Law Adjustments										
12.00	\$1,708,938	\$0	\$6,904,176	\$8,613,114	12.00	\$1,784,782	\$0	\$7,212,398	\$8,997,180	
Grand Total All Present Law Adjustments				\$11,605,136						\$12,084,963

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 86 - Maintain MDC Certification - The executive requests \$738,032 general fund to support 12.00 FTE and contracted services at the Montana Developmental Center (MDC). In response to deficiencies identified during a Medicaid certification review, the department determined that a six bed secure-care unit and a contracted investigator to investigate suspected and potential abuse situations were needed. The department hired additional staff and implemented these changes during fiscal 2002.

In March 2002, MDC underwent a Medicaid certification survey. The survey identified deficiencies in the area of client and staff safety and indicated that without corrective action, MDC could be decertified as a Medicaid participating provider. Loss of certification would result in the state no longer being able to claim Medicaid reimbursement for the services provided at MDC. The Medicaid reimbursements received by MDC are used to repay MDC building bond debt and the balance remaining (about \$9 million annually) is deposited in the general fund.

**LFD
ISSUE**

Please refer to the program narrative for a discussion of the population mix served by MDC.

**LFD
ISSUE**Duplication of Cost

Funding for contracted investigator services of \$25,000 per year are duplicated and included in both this decision package and DP 95 MDC Direct Care FTE.

DP 87 - DDP Change in FMAP - This decision package includes a reduction of \$6,709 general fund and a corresponding increase in federal funds for the biennium due to anticipated changes in the FMAP rate.

DP 89 - DDP Federal Authority - The executive requests \$8.1 million federal funds for the biennium that will be expended if the department can successfully increase the amount of federal funds supporting services without increasing general fund requirements, and to annualize the impact of Medicaid refinancing efforts that were partially completed in fiscal 2002. The additional funding would be used to strengthen and expand services.

**LFD
ISSUE**

Please refer to the program narrative discussion of refinancing.

DP 90 - DSD Base Adjustments - The department requests \$50,745 general fund and \$181,506 federal funds to annualize rent increases that occurred in fiscal 2002. The additional funding is for the offices located in Billings, Kalispell, Bozeman, Butte, Miles City, Great Falls, and Havre.

DP 91 - MDC Base Adjustments - The department requests \$1,342,220 general fund for personal service costs not included in the base budget and to replace equipment. This funding would be used to support the costs of holidays worked, overtime and differential pay, and benefit costs associated with the additional personal services costs. This request also includes a \$288,000 budget reduction to reflect the continuation of the reductions made during fiscal 2003.

DP 92 - EHSC Base Adjustments - The department requests \$622,789 general fund for personal services, contracted services, operating costs increases, and to replace equipment. Among the expenditures to be supported by these funds are: holidays worked, differential, overtime, substitute staff, and a projected annual increase of \$10,261 in natural gas costs. Equipment proposed for replacement includes: a telephone system, computers, a dishwasher, and a medication cart. This request is decreased by \$17,000 to continue budget reductions ordered by the Governor during fiscal 2003.

DP 93 - Annualize Tuition Increases - The department requests \$57,760 general fund and \$213,410 federal funds to annualize the costs of tuition increases that were effective July 1, 2003.

DP 94 - Annualize DDP Wage Parity - The department requests \$1,791,063 general fund and \$1,733,375 federal funds to annualize the costs of direct care worker wage increases that were effective July 1, 2003.

DP 96 - Annualize VR Provider Rate Increase - The department requests \$116,298 general fund and \$206,228 federal funds to annualize the costs of a 2.5 percent provider rate increase that was effective July 1, 2003.

DP 97 - DDS Base Adjustments - The department requests \$678,097 in federal funds to support an anticipated 10 percent per year increase in DDS workload. The funding in this request will be used for overtime, differential pay that is paid to DDS employees for achieving their performance goals outlined by the Social Security Administration, on-the-job training for a person who is developmentally disabled, contracted medical consultants (as mandated by federal law) to

review cases cleared through the DDS, copies of medical records and/or medical examination costs for disability claimants, claimant travel to required appointments, and rent.

DP 98 - MDC and EHSC Medicaid Authority - The department requests \$3,047,994 federal funds for the biennium to annualize expected Medicaid reimbursement for the two institutions. These are the appropriated dollars that are used in transferring expenditures from the general fund to Medicaid for both facilities. The Medicaid revenues are then deposited into the general fund. The amounts are based on projected revenues for fiscal 2004 and 2005 above the fiscal 2002 base.

DP 290 - Eliminate Visual Services Medical - This decision package removes \$169,668 general fund for the biennium supporting the visual services medical program. Per the department, approximately 72 Montanans who experience eye conditions that require medical attention and who do not qualify for other medical assistance will not be served each year.

DP 291 - Reduce Extended Employment Benefits - This decision package removes \$541,278 general fund for the biennium supporting extended employment benefits. This action will reduce extended employment benefits by 32 percent. Per the department, this reduction impacts services to about 68 individuals.

DP 292 - Eliminate Independent Living Parity - This decision package removes \$457,532 general fund for the biennium supporting independent living services. Per the department services to over 396 individuals (in rural areas of eastern Montana) will be eliminated and there will be a reduction of nine staff at independent living centers.

DP 293 - Eliminate Donated Dental - This decision package removes \$50,000 general fund for the biennium supporting donated dental services. Per the department, approximately 123 individuals will not receive services from volunteer dentists and labs due to this reduction.

New Proposals										
-----Fiscal 2004-----						-----Fiscal 2005-----				
Program	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 82 - DD Funding at Current Level of Service										
10	0.00	1,899,878	0	0	1,899,878	0.00	1,899,878	0	0	1,899,878
DP 88 - DDPAC Federal Grant Increase										
10	0.00	0	0	25,900	25,900	0.00	0	0	25,900	25,900
DP 95 - MDC Direct Care FTE										
10	20.00	932,864	0	0	932,864	20.00	933,277	0	0	933,277
DP 285 - FTE Reduction										
10	(9.02)	(216,506)	0	(65,067)	(281,573)	(9.02)	(217,440)	0	(64,204)	(281,644)
DP 294 - Eliminate Community Supports and Reduce SL										
10	0.00	(1,424,395)	0	(1,408,700)	(2,833,095)	0.00	(1,424,395)	0	(1,408,700)	(2,833,095)
DP 296 - DDP GF Reduction Due to Refinancing										
10	0.00	(1,800,000)	0	1,800,000	0	0.00	(1,800,000)	0	1,800,000	0
DP 297 - DDP Medicaid Provider Rate Reduction										
10	0.00	(189,850)	0	(510,187)	(700,037)	0.00	(193,556)	0	(508,499)	(702,055)
Total	10.98	(\$798,009)	\$0	(\$158,054)	(\$956,063)	10.98	(\$802,236)	\$0	(\$155,503)	(\$957,739)

New Proposals

The "New Proposals" table summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

DP 82 - DD Funding at Current Level of Service - The department requests \$3,799,756 general fund for the biennium to replace TANF fund transferred to Title XX and Title XX funds that will not be available in the 2005 biennium. Federal funding for Title XX grant has been reduced.

**LFD
ISSUE**Loss of Federal Funds

While the decision package has not been constructed in a manner that illustrates it, this decision package represents a funding switch. The general fund requested in this decision package replaces \$2.8 million federal Temporary Assistance for Needy Families (TANF) and about \$1.0 million Title XX, Social Services Block Grant (SSBG) funds that will not be available in the 2005 biennium. For the past several years, federal funding for Title XX, SSBG has been declining. The funding replacement included in this decision package represents an additional decrease in the federal grant allocated to Montana. For a discussion of TANF funds and transfers of TANF funds, please refer to the narrative for the Human and Community Services Division.

In order to accurately reflect the impact of this decision package on the budget, the legislature may wish to reduce federal TANF and Title XX funds included in the Executive Budget by \$2.8 million and \$1.0 million for the biennium, respectively.

Please refer to the agency narrative for information regarding the impact of excess federal funds on appropriation statutes.

DP 88 - DDPAC Federal Grant Increase - The department requests \$51,800 federal funds for the biennium to support an increase in the Developmental Disabilities Planning and Advisory Council (DDPAC) grant award.

DP 95 - MDC Direct Care FTE - This request includes \$1,866,141 general fund for 20.0 FTE and operating costs increases for the biennium for the Montana Developmental Center (MDC). A portion of MDC's funding for the 2003 biennium was specified as one-time-only by the legislature. The department requests that this funding be continued for the 2005 biennium and that funding for operating cost increases be provided. Operating cost increases in this decision package include:

- Solid waste disposal \$30,000
- Contracted repair and maintenance for the Aquatic Training Facility \$8,000
- Contracted services for investigation of reports of client-to-client aggressions, unobserved client injuries, and alleged incidents of abuse or neglect be conducted by an independent investigator \$50,000
- Food \$405,054
- Utilities \$7,828
- Repairs \$7,800.

**LFD
ISSUE**

Please refer to the program narrative for a discussion of the institutional population.

**LFD
ISSUE**Duplicated Cost

Funding for contracted investigator services of \$25,000 per year are duplicated and included in both this decision package and PL 86 MDC Certification. Division staff indicated that the amount of the reduction in this decision package related to continuation of the Governor's reductions would have been less if this duplication of costs had not been included in this decision package. The division proposes using this funding to purchase replacement vehicles and components for the cook/chill system.

DP 285 - FTE Reduction - This decision package includes a reduction of 9.02 FTE to achieve savings of \$433,946 general fund, \$563,217 total funds for the biennium.

**LFD
COMMENT**

This reduction proposes to eliminate positions that were left vacant in the base budget year due to funding shortages. Of the positions to be eliminated, 6.52 FTE are assigned to the two state institutions for the developmentally disabled and 2.50 FTE are employed elsewhere within in the developmental disabilities program. None of the FTE proposed for elimination are employed in the Vocational Rehabilitation program. The positions that will be eliminated include:

- DDP regional manager (1.00 FTE)
- DDP program officer (1.00 FTE)
- DDP case manager (0.50 FTE)
- MDC administrative support (1.00 FTE)
- MDC custodian (1.00 FTE)
- MDC occupational therapist (1.00 FTE)
- MDC dental assistant (0.50 FTE)
- EHSC habilitation aide (1.00 FTE)
- MDC laundry worker (0.17 FTE)
- MDC maintenance worker (1.00 FTE)
- MDC Residential Care Aide (0.85 FTE).

DP 294 - Eliminate Community Supports and Reduce SL - This decision package removes \$2,848,790 general fund (\$5,666,190 total funds) for the biennium by reducing community supports and supported living services to 426 individuals with developmental disabilities.

**LFD
ISSUE**

Please refer to the program narrative discussion of refinancing.

DP 296 - DDP GF Reduction Due to Refinancing - This decision package decreases general fund by \$3.6 million and increases federal Medicaid funds by a like amount. The savings will be realized because clients in congregate living settings whose services were previously paid by the general fund, will now be billed to Medicaid. The department implemented this refinancing effort in mid-fiscal 2003.

**LFD
ISSUE**

Understatement of Federal Funds

The federal Medicaid funds that will be received due to this "refinancing" initiative are understated in this decision package. Because federal Medicaid funds are reimbursed to Montana on a state-federal funds ratio of about 30 percent state fund and 70 percent federal fund, about \$9.7 million of the federal Medicaid funds that can be obtained with \$3.6 million of matching general fund. The federal funds in this decision package are understated by approximately \$6.1 million for the biennium. The department indicated that a portion of the funds requested in DP 89 will also be used to support this decision package.

**LFD
ISSUE**

Please refer to the program narrative for additional information on refinancing.

DP 297 - DDP Medicaid Provider Rate Reduction - This decision package reduces general fund \$383,406 and total funds \$1,402,092 due to reductions in payments to Medicaid providers.

**LFD
ISSUE**

Please refer to the discussion of refinancing in the program narrative.

Other Issues**Income Levels of Non-Medicaid Eligible Service Recipients**

The 2001 legislature directed the Disability Services Division to complete a report on the impact of applying income criteria to determine eligibility for developmental disabilities program services and benefits on individuals, the waiting list for services, and the budget of the developmental disabilities program. Also, the legislature stated that the report to the Legislative Finance Committee should include, by age group and residential setting, the number and value of services provided to non-Medicaid eligible recipients with incomes at or below 200 percent of the federal poverty level and with incomes at or below 150 percent of the federal poverty level.

To comply with this requirement the department developed two surveys, one for children's services and one for adult services. Case management and provider staff assisted the department in collecting the information requested on this survey. Selected information from this survey is summarized in Figure 41.

Figure 41 Summary of Developmental Disabilities Program Survey Income Levels of Non-Medicaid Funded Service Recipients							
Description	Income Under 100% of Federal Poverty Level	Income Under 150% of Federal Poverty Level	Income Under 200% of Federal Poverty Level	Income Over 200% of Federal Poverty Level	Did Not Respond to Survey	Total	
Number Adults	50	89	37	20	27	223	
Percent of Total	22.4%	39.9%	16.6%	9.0%	12.1%	100.0%	
Costs	\$ 893,983	\$ 1,794,344	\$ 608,463	\$ 371,846	\$ 454,866	\$ 4,123,502	
Percent of Total	21.7%	43.5%	14.8%	9.0%	11.0%	100.0%	
Number Children	132	178	149	213	155	827	
Percent of Total	16.0%	21.5%	18.0%	25.8%	18.7%	100.0%	
Costs	\$ 762,626	\$ 951,042	\$ 866,821	\$ 1,417,554	\$ 543,343	\$ 4,541,386	
Percent of Total	16.8%	20.9%	19.1%	31.2%	12.0%	100.0%	

A total of 223 adults who received \$4.1 million of services were included in the adult survey. Among this group, 27 individuals (12 percent) did not respond to the survey and 146 (65 percent) reported having income greater than the federal poverty level. The remainder of the group, 50 individuals, who received \$0.9 million of services, reported having income levels less than the federal poverty level.

The families of 827 children that received \$4.5 million of services were included in the children/family survey. Among this group, 155 families (19 percent) did not respond to the survey and 540 families (65 percent) reported having income greater than the federal poverty level. The remainder, 132 families (16 percent) who received \$0.8 million of services, reported having incomes at or below the federal poverty level.

Generally, programs administered by DPHHS employ income, assets and other criteria in addition to clinical criteria to determine those who are eligible to receive services from publicly funded systems. Exceptions to this general policy exist because of federal regulatory requirements. For example, income and asset tests are not used to determine which children/families receive child support enforcement services because federal regulation requires that the division provide services to anyone who applies. On the other hand, as a condition of participation in some publicly funded service

systems, cooperation with child support enforcement for the purpose of costs recovery is mandated, including for families receiving cash assistance and children receiving federal Title IV-E funded foster care services.

The developmental disabilities program has been relatively unique among the department's programs, operating on a philosophy that all who have a developmental disability are eligible for services regardless of their financial ability to obtain services without public funding. While many envision this an ideal system, the reality of state finances may not be able to support this vision.

LFD ISSUE

Consistent use of Income and Asset Test to Determine Eligibility for Publicly Funded Services

The legislature may wish to adopt and apply policies similar to those used in other publicly funded systems to the developmental disabilities system. Among the policies adopted and implemented in other publicly funded service systems is the utilization of income and asset criteria to determine eligibility for publicly funded services. The legislature may wish to adopt similar income and asset criteria and apply them to the process of determining eligibility for publicly funded developmental disability services. Applying income and/or asset testing to determine eligibility for services in this system could be modeled after the criteria used in various other programs within the department. For example,

- In order to be eligible for the Children's Health Insurance Program (CHIP) the family must have applied for and been denied Medicaid coverage
- Many programs including Medicaid, mental health services and childcare services require the recipient to share in the cost of services through co-payment requirements
- Many programs require that the custodial parent cooperate with and assign child support to the state, so that the state might recover some of the costs of providing services
- Individuals or families with resources above a certain level (other than a primary home and one car, which may be exempt) are often not eligible for publicly funded services such as Medicaid, CHIP, and the Mental Health Services Plan (MHSP)
- Eligibility for the MHSP, some TANF funded programs and CHIP is dependent upon income being no greater than 150 percent of the federal poverty level.
- Eligibility for TANF cash assistance benefits is currently based upon countable income levels at or below about 40.5 percent of the federal poverty level.
- Eligibility for childcare subsidies is based upon income levels up to 150 percent of the federal poverty level, with parents responsible for a co-payment and priority for services given to TANF families, teen parents, and those with the lowest income level

Elements of eligibility from a variety of programs could be combined to establish unique financial eligibility criteria for developmental disabilities services. The legislature may wish to select criteria from the examples above to be utilized to determine eligibility for developmental disability services. If the legislature wishes to direct the department to implement income, resources or other criteria to determine eligibility for publicly funded developmental disabilities services, guidelines should be provided to the department in statute.

In addition to achieving more consistency among programs, the use of income and resource criteria to determine eligibility for publicly funded services might be employed as a strategy to limit the growth of expenditures for services.